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Washington, D.C.

WHERE WE WERE

When this photo was made before World War I, the supermarket was unheard of. The owner's name signified a lot more buying power than it would later. (Page 10)



PHOTO: THE BETTMANN ARCHIVE

10 A Country On The Move

Surprises were in store for America's business people 75 years ago, and we'll bet surprises are in store for you, too, as you join us in looking back at the tumultuous period from 1912 to 1937. In which year did the United States become the world's leading exporter? What became of brewers and distillers during Prohibition? And what did Franklin Roosevelt intend to do about government spending?

20 A Glimpse Of 1912

Let's meander through the first issue of *The Nation's Business* and become green with envy over the simplicity of business life 75 years ago. Wait a minute. Maybe it really wasn't quite so simple.

Homebuilders and movers had extra reasons for joy when World War II ended. This suburban Los Angeles scene could have taken place in any U.S. metropolitan area. (Page 22)



PHOTO: J.R. EYERMAN, LIFE MAGAZINE © 1987 TIME INC.

22 Good Times After The Bad

The 1937-1962 period started with the Great Depression still blanketing the country. Soon America was at war. Business ingenuity flowered while the nation tried to fight its way out of the economic depths and later, as it battled the Axis. And afterward there were years of growth—in the economy and in the population—accompanied by low, low inflation and interest rates to match.

29 The Slump That Wasn't

Conventional wisdom was that only wartime government spending had saved the nation from the depression; therefore, hard times had to be on the way back. Wrong. There may be lessons for us today in what happened.

Women and minorities have achieved new prominence in business in recent years. So has the computer, which has been easy for some of us to master and tough for others. (Page 34)



PHOTO: JEFF JACOBSON—ARCHIVE PICTURES

34 High Marks In New Tests

1962-1987. America fought a no-win war in Asia that produced bitter conflict at home. Remember those demonstrators' attitudes toward business? But later, America also fought a war against frightening inflation and won—at least for now. Remember the pain that accompanied Paul Volcker's bitter pills? Another war that has been fought and won—at least for now—has been against big government.

42 A Business Scrapbook

Take a random walk through 75 years of change in ways of life and earning a living. Six pages of photos will stir many a memory.

50 A Country Sage Looks Back

James J. Kilpatrick raises an eyebrow over an era that might be called the Disposable Age—or the Age of the Impenetrable Package.

52 Nation's Funny Business

"Hey, waiter, two more cups of coffee and another tablecloth." Cartoons of yore can still pack laughs.

FROM THE EDITORS

In September, 1912, the U.S. Chamber of Commerce launched this publication to serve the nation and its business community. *Nation's Business*, like the nation, has grown greatly since then, and its format and content have changed. But its basic purpose is the

same. This month, we celebrate our 75th anniversary with a special editorial menu whose ingredients were culled from both past issues and fresh research. We hope you will find this issue worth keeping—and worth sharing with others.

WHERE WE ARE

Seattle-based Ben Bridge Jeweler is among businesses that share 1987 as a 75th anniversary year with us. They also share secrets of their longevity with you. (Page 57)



PHOTO DOUG WILSON—BLACK STAR

54 The American Way Today

Aided by the "Reagan Revolution," the economy continues to grow, with jobs emerging in services faster than they are disappearing in manufacturing. Challenges to business include new competition, both domestic and foreign; changing technologies; and problems in the work force.

57 Still Alive At 75

One company makes candy, another retails watches and jewelry, another is a laundry, another makes hardwood flooring, and another is an international dance-studio franchise. They have in common their age—75—and their knowledge of how to survive and thrive in the business world.

WHERE WE'RE HEADED

Space stations are expected to lead the way to new discoveries in the future. This is America's first manned orbiting space station, Skylab II. (Page 68)



PHOTO NASA

68 What's Ahead For Tomorrow

New ultralight, ultrastrong materials. Rain brought to deserts. New sources of energy. New forms of life. Those are some of the things futurists expect, along with a doubling of real gross national product in 25 years, more foreign trade, a U.S. manufacturing renaissance and continued growth in American entrepreneurship.

74 A Land With "No Limits"

President Reagan, in a *Nation's Business* interview, looks proudly at America's present and confidently at its future. His subjects include opportunities for young people, how U.S. business will fare in international competition and whether this is a good time to start an enterprise.

SPECIAL REPORT

89 Insuring A Growing Country

The insurance industry has been a part of the American entrepreneurial heritage for more than 150 years.

THIS MONTH

Congress looks at a "wish list" of tax increases as it grapples with unpalatable ways to raise more money. (Page 98)



PHOTO FRANCES BORCHARDT

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America's three living ex-Presidents comment on a magazine's anniversary.

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97 Where I Stand

102 The Nation's Business

The economic expansion approaches a peacetime record; Congress looks at a "wish list" of tax increases; small firms face more tax-related paperwork.

104 Editorial

It was written 58 years ago, but its powerful message applies today.

Cover Design: Vignelli Associates

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Engine (Diesel)								
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Net HP @ RPM	100 @ 3000		138 @ 3200		-		-	
Net Torque @ RPM	213 @ 1900		258 @ 1900		-		-	
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Net HP @ RPM	116 @ 3000	116 @ 3000*	-	165 @ 3000 (A)	165 @ 3000 (A)	165 @ 3000 (A)	220 @ 2500 (B)	
Net Torque @ RPM	242 @ 1900	242 @ 1900	-	335 @ 1900	335 @ 1900	335 @ 1900	542 @ 1700	
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Frame Type	Ladder		Ladder		Ladder		Ladder	
-Section Modulus	5.3		13.2		16.8		19.7 17.1	
Steering-Type	Integral Power		Integral Power		Integral Power		Integral Power	
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Tires-Front (Std.)	8R17.5LT (10PR)		8.25-20/10PR	8.25-20/12PR	9.00-20/12PR	10.00-20/12PR	10.00-20/14PR	
-Rear (Std.)	8R17.5LT (10PR)		8.25-20/10PR	8.25-20/12PR	9.00-20/12PR	10.00-20/12PR	10.00-20/14PR	
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Letters

An interview with President Reagan, shown here with his predecessors, Presidents Ford, Carter and Nixon, begins on page 74.

"Counseling Small And Medium-Sized Businesses"

At a time when it is fashionable to judge the American businessman to be so completely over the hill that he must be shielded by a wall of protectionist barriers, *Nation's Business* has continued its 75-year tradition of sensibly and practically counseling small and medium-sized businesses on how to reach their full potentials.

The trade issue is a complicated one, and, for progress to be made, many of our trading partners will have to lower some of the barriers they have erected. But a giant step towards solving our trade problems will be to do everything we can to see that American business does everything of which it is capable. Once that happens, *Nation's Business* will deserve a lion's share of the credit.

Congratulations on your anniversary.

Sincerely,

"Responsible And Constructive Reporting"

As a longtime, dedicated reader of *Nation's Business*, I congratulate the U.S. Chamber of Commerce on the consistent quality of this magazine. I also compliment you and your associates on responsible and constructive reporting on the status of our domestic and global economic challenges and what governments can and should do to solve our problems with emphasis on the free-enterprise point of view.

Although *Nation's Business* is oriented to the management side, I am impressed that you "call them as you see them" when mistakes are made in the corporate world.

Congratulations on your journal-



PHOTO: MICHAEL PATRICK—FOLIO

istic accomplishments and best wishes for continued success.

Sincerely,

"A Valuable Source Of Practical Information"

I am pleased to congratulate the U.S. Chamber of Commerce and its publication, *Nation's Business*, for 75 years of service to the business people of America.

As a small-business owner myself and an honorary co-chairman of the National Commission on Jobs

and Small Business, I have long felt that small enterprises are the backbones of local communities and an essential foundation of the nation's economic strength. *Nation's Business* has been a valuable source of practical information and prudent counsel to this crucial segment of our society.

My best wishes to the U.S. Chamber of Commerce and *Nation's Business* on their 75th anniversary.

Sincerely,

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1912-1987

American A Country

By Henry Altman



The *Nation's Business* changed to magazine format in November, 1915.



This 1928 cover featured election foes Al Smith and Herbert Hoover.



World War II patriotism was at its zenith in July, 1942.

Anation on the move—that was the America of 1912, in the so-called Age of Innocence. A lot of surprises were in store for its business people in the next 25 years, a period that saw not only war, but also the boom of the Roaring '20s and the gloom of the Great Depression.

Surprises are probably in store for you, too, as you look back over that period in this article—and at the two subsequent quarter-centuries in articles that follow.

For example, do you know how many U.S. companies were manufacturing automobiles 75 years ago?

In radical contrast to today's handful, there were almost 600. More than 100 were in Michigan, and New York ranked second among the states with nearly 80. About 340,000 cars, a 41 percent increase over 1911, were built that year. Henry Ford had introduced his Model Ts four years earlier, but the assembly-line techniques that enabled him to lower prices and produce an eventual 15 million Ts were just evolving.

And though it takes little imagination to perceive that the telephone tremendously benefited business and other facets of life as its use spread in the century's early decades, are you aware that it was considered something of a mental therapeutic?

A 1917 *Nation's Business* article, noting that phones had doubled in number since the turn of the century and now were used even by many farmers, said that "a medical report from the Middle West" had "estimated that insanity among women in formerly isolated districts on the Great Prairies

has decreased 25 percent." Yes, the telephone—a commercial product since the late 1870s—was widespread in this country 75 years ago, though nowhere near as widespread as it is today.

Ditto the electric light—the first commercial supplier of electricity opened its doors in the 1880s.

But that doesn't mean that doing business was not very different.

Says 89-year-old Harold Dirks, whose father, August, bought a brand-new funeral parlor-furniture store in Olivia, Minn., in 1912: "It was kind of easy living then, in that you didn't worry much about what was going on in the world that might affect you or your business. There were no radio and TV, and we didn't have a daily paper in Olivia, though we do now. So you didn't learn what was going on until a week or more had passed, and by then it was too late to worry."

August Dirks' small town business—which found synergy in combining funeral service with furniture sales because both involved large objects and because coffins, like furniture, sometimes required upholstery—is still in his family today. It is one of many businesses launched in 1912 (see article on page 57).

That year also saw the start-ups of some noted nonprofit organizations, including the Girl Scouts of America and *Nation's Business*' publisher, the U.S. Chamber of Commerce, launched four months before the magazine; the sinking of the *Titanic*; and the sending of U.S. Marines to Nicaragua. (A Nicaraguan president had asked for help in keeping order.

Enterprise: On The Move



By June, 1950, the mood was upbeat, and the baby boom was in full flower.



Mounting tax burdens had hit home for increasing numbers by July, 1976.



June, 1984: Women were prominent in a wave of entrepreneurship.

In the '20s and early '30s, Marines again assigned to order-keeping tangled with Gen. Augusto Cesar Sandino, whose name echoes today in the *Sandinista* label of the regime trying to suppress the *Contra* rebels.)

Another 1912 baby is New York-based STV/Seelye Stevenson Value & Knecht, which does engineering design for a wide range of construction projects. Unlike in Olivia, Minn., a passel of daily papers made it easy to worry about world events on a timely basis in New York 75 years ago, much as fewer newspapers plus TV and radio do today. But there were pronounced differences from 1987 in other ways.

Says STV President Michael Haratunian, 52, who has been at the firm 31 years and has presided over research into its beginnings: "In the earlier days, the days of green eyeshades and suspenders, the engineering field was a small community based on personalized service—things were done on a handshake. Today the engineer confronts a lengthy selection process and committees."

Technology, of course, has come a long way. For one thing, engineering drawings that today would be placed on a type of plastic were recorded in those earlier days on starch-stiffened linen, which was more durable than paper.

"The linen's quality was very fine," Haratunian says. "If a drawing was unusable for some reason, people would take it home to wash it out for reuse, say, as handkerchiefs."

"During the summer, with no air conditioning, offices could be so hot that perspiration from the engineers and drafters would ruin the drawings." At his firm, Haratunian

says, "the rule was that if it was 90 degrees inside, we would close. For some reason, though, it was rarely 90 in Mr. [Elwyn] Seelye's office." So the firm, which Seelye had founded and which he headed until his death in 1960, stayed open during some scorchers.

On a Minnesota morning, as August Dirks pumped water for his brush-and-straight-razor shave—the water was heated in a tea kettle on a three-burner, kerosene-fueled stove—he may have been wondering which farmer in the surrounding corn and wheat country could lend him a snappy team of horses for the funeral part of his business that day.

Says grandson Ben Dirks, 57, who long ago took over the helm from son Harold, though the latter still works part time: "The deal was that the funeral director had a horse-drawn coach but didn't have to have horses except on the day of the funeral. The wake would be at the person's home, rather than at the funeral home as it would be now, and the body would stay there until time for the service."

Today, Ben Dirks says, funeral homes in metropolitan areas often conserve capital, as his granddad did, by renting hearses from livery services. But that opportunity is lacking in a rural area like his, where distance makes such rentals impractical. So an undertaker must own a hearse. "We run about 45 funerals a year, so we put very few miles on one. It rusts out before it wears out."

The Dirks business had a motorized coach, converted from one that had been horse-drawn, by the early 1920s. Small wonder. The motor was everywhere, with productivity per

WHERE WE WERE

A Country On The Move



1912-1937

On the final assembly line of a Ford Motor Company plant, circa 1913, car bodies skidded down a wooden ramp and were lowered onto the chassis

moving along below. Primitive? Perhaps. But production records were broken daily, and on Dec. 10, 1915, the millionth Ford car was produced.

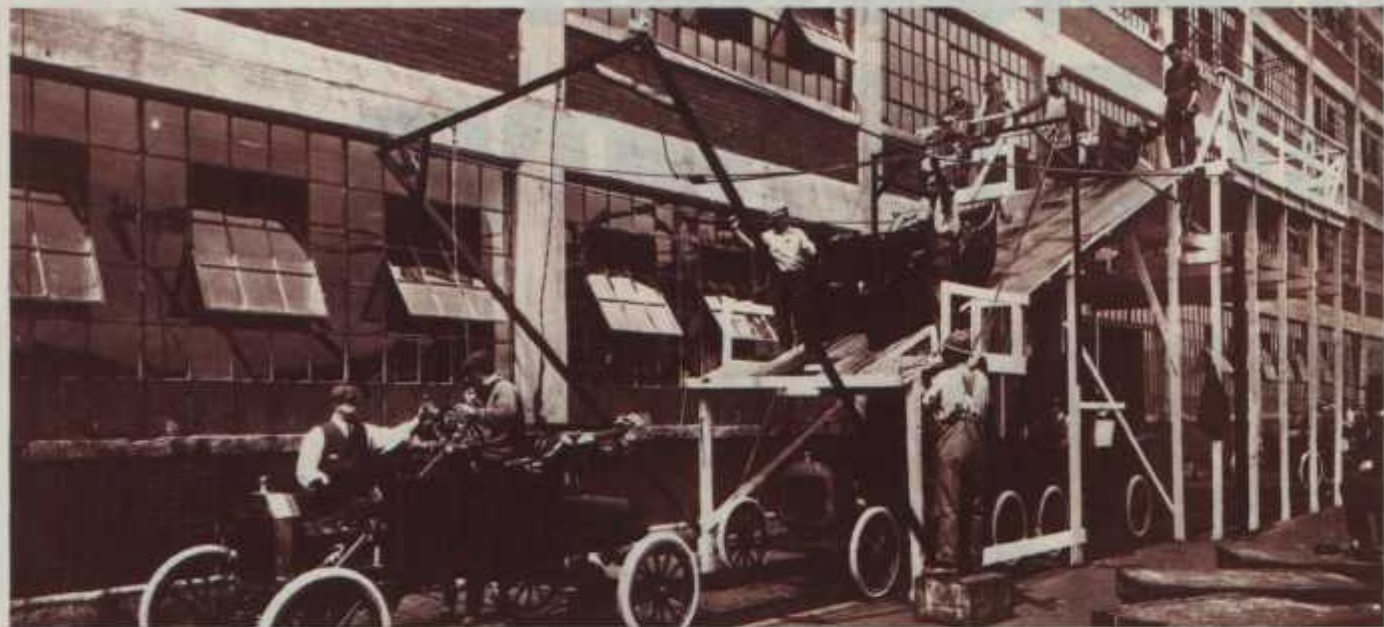


PHOTO: THE BETTMANN ARCHIVE

autoworker rising from year to year. A 1919 *Nation's Business* article reported that the United States was producing 85 percent of the world's cars. Chirped a 1923 poem:

"Time to stir! Time to stir! Sings the sleek six-cylinder! Leave your door and explore! Quit your land and expand! State to state, sea to sea, Live in motor Romany!"

The nation was on the move in other ways, as 1912 reports showed: "Nevada's new rail line opens rich traffic and farms"; a six-mile track elevation between Linden and Rahway Junction in New Jersey was to be "one of the greatest engineering achievements" in the state's history; "Oklahoma's Grand River soon to be harnessed for power production"; "in Seattle there is well under way a 42-story building, the largest in the United States outside of New York City."

A 1913 listing of the world's greatest ports had New York just ahead of London in volume of exports and imports streaming through. That was befitting in light of another article: British businessmen had been told trade figures for the first time showed "the United States has attained world preeminence in the export field." U.S. exports, only 5 percent of the country's manufacturing volume, had passed Britain's, which were trailed by Germany's, France's and the Netherlands' in that order.

Japan, which had seized Korea in 1910—the Koreans gained independence after World War II—was a comparatively small exporter at the time.

But it was gaining. A 1916 report said that due to World War I, "Japan's foreign trade, like the foreign trade of the United States, is showing a large excess of exports over imports." Japanese imports included raw materials that were made into munitions and other goods, including electric fans and telephones, exported to Russia.

A 1917 advertisement touting a *New*

The Yanks were coming home—to a country that was not quite the one they had left. For one thing, there was postwar inflation—"We are now in possession of the 50-cent dollar...." And there was Prohibition.

York Evening Post supplement on Japan said U.S. firms had made "enormous" sales to Japanese firms since the guns of August, 1914, had launched the war that was tearing up Europe (and that would topple Russia's Czar and bring an eventual Bolshevik peace with Germany).

"Japanese export houses have sprung up in New York and elsewhere almost mushroomlike," said the ad.

In April, 1917, after the Germans announced unrestricted submarine warfare against shipping, the United States entered the war.

A May, 1917, *Nation's Business* article by Kansas Gov. Arthur Capper, described as his state's "biggest businessman," spoke of the "ruthlessness" of "German imperialism" and said that if Germany won "its battle for supremacy on the land in Europe," it would seek "domination of the sea." Capper added: "All would pay tribute to the Kaiser's power." A later article spoke of a plan for "the Germanization of all peoples" and of Kaiser Wilhelm's telling German soldiers: "Make yourselves more frightful than the Huns under Attila."

Uncle Sam had already rolled up his industrial sleeves. An article told how a U.S. firm had built 550 wooden, 80-foot subchasers for Britain in 535 days "by becoming a convert to the gospel of Detroit, whose tenets may be summed up: standardization, division of labor and progressive assembling." Now there were appeals to conserve fuel for the war effort. The Bureau of Mines was quoted as saying bad equipment wasted as much as half the coal some plants bought. A thermometer manufacturer's ad said: "Watch your thermometers. If the temperature goes above 68 degrees, you are wasting coal."

Daylight saving time was advocated not only to save fuel but also, by ensuring that "the hours of greatest fatigue" were during the day, to lessen eye-strain and industrial accidents. President Woodrow Wilson signed a day-

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We the People

Article I

A Country On The Move



1912-1937

This photo of New York brokers drilling on Governors Island in preparation for World War I enlistment ran in *The Nation's Business* in May, 1917, a month after

America entered the war. The magazine suggested that "the tools of business" might be deadlier weapons against the enemy than the wooden rifles borne here.



PHOTO: UNDERWOOD & UNDERWOOD

light-saving-time law in March, 1918; it was repealed the next year.

While doughboys went into training camps and then to France, women went into war work. Said a 1918 article: "The woman industrial worker is a reality and a success; she has proved... that our women have in them the stuff that has made women a vital part of the French, English and Canadian war machines."

This wartime performance certainly did no harm to the long struggle of the suffragettes. Congress in 1919 voted for the 19th amendment, requiring nationwide female suffrage. It was ratified in 1920.

In addition to buying Liberty Bonds, Americans helped pay for the war with income taxes, which had been imposed after ratification of the 16th amendment in 1913. Then, only a few hundred thousand citizens were affected, but when exemptions were lowered in 1918, the figure rose to 6 million. Corporations paid more, too—a flat 2 percent corporate rate rose to 12 percent.

Suddenly, in November, 1918, the war was over. The Yanks were coming home—to a country that was not quite the one they had left.

For one thing, there was postwar inflation. "We are now in possession of the 50-cent dollar, for that coin will buy just half of what it bought in 1915," said a 1919 article that told of widows on fixed incomes applying for charity and of a man who had a \$2,500 estimate for construction of a six-room bunga-

low finding the cost had risen to \$4,000.

And then there was Prohibition. What was to become of the brewers and distillers? "The Anti-Saloon [League] folks say Americans spent annually \$2 billion for drinks before the cup was snatched away," an article noted. "Plants that produced the drinks represent investments of about the same figure. That money will have to

Methodist one at that!" Distillers began making industrial alcohol or corn-based cattle feed.

Prohibition, which became effective one year after the 1919 ratification of the 18th amendment, ended in December, 1933, thanks to the 21st amendment. That gave drinkers' spirits a lift when one was sorely needed. The economy was deep in depression.

But before bust came boom, which had many means of propulsion.

Said a 1923 article: "Just as shorter skirts boost the sale of shoes of better quality, the practice followed by young movie addicts and others of adding oil to their hair to give themselves a fashionable eel-like appearance is a great boon to hat manufacturers. The hair oil soaks through the sweatband and discolors the hat."

Technology created new industries. Not long after Charles Lindbergh's historic 1927 transatlantic flight to Paris, an article reported "life insurance companies are now issuing policies to cover air pilots and passengers."

When the first radio station began operating in 1921, there was an "avalanche" of demand for "tube sets."

With marked lack of prescience about how much revenue commercials would bring in, a writer thought other revenue would be needed: "It's conceivable that some way will be devised of making a suitable charge for the service received by radio, as one buys records for his talking machine or pays to see the new films on Wednesday night at the 'op'ry house." There was a recession that year, but soon the economy

Even in the days of conservative presidents, there had been complaints of too much bureaucracy. A 1923 article forecast a nation of nothing but government workers.... Under FDR, previous government growth paled by comparison.

go somewhere.... Some of it will go into fares to Canada and Cuba, but the amount thus spent will not make much of a dent."

Some brewers produced soft drinks or clung to 2.75 percent near-beer in states that permitted it. Others, capitalizing on their refrigeration equipment, became cold storage establishments or makers of ice or ice cream. One brewery was turned into a church—"and a

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A Country On The Move



1912-1937

WHERE WE WERE

During Prohibition, diligent federal agents (top) emptied liquor bottles down a manhole, while a bystander tried to collect the precious nectar in his straw hat. Rigid environments in

many offices in the early 1900s could have driven anyone to drink. How would you have liked a desk in a typical large office of 1912 (bottom)?

turned upward, and an article would note: "For more than a quarter of a century now the United States has been free from anything like the 'hard times' once seemingly chronic in this country.... We have had nothing like the prolonged and grinding depressions of 1893-98, 1873-78 and on backwards as far as the records run."

A "bubble of unreasonable optimism" burst in Florida, scene of a "simply staggering" land sale and development spree, and thousands of speculators went broke. But there was talk of farming opportunities amid the foreclosures.

Some people worried that the growth of installment sales was a threat to the economy. But General Motors chief Alfred P. Sloan saw no problem in a well-run program. He wrote in 1926 that his company, which had organized General Motors Acceptance Corporation in 1919 to buy car buyers' notes, had found that time payments were useful stimulants in good years and that they had met the test of recession.

Also, there was mention of a decline in savings deposits and of years of "depressed condition" in farming, then a much larger part of the economy than it is now. And many banks failed—the failures were laid to "ruthless competition" resulting from state and federal government grants of new bank charters. But the stock market rose.

In February, 1929, financial writer Merryly Stanley Rukeyser commented in *Nation's Business*: "At each intermediate reaction in stock prices, the question of when the big break will come recurs." This, he said, "overlooks the fact that America has come of age in an economic sense." Three months later, however, he was discussing low margin requirements on Wall Street and advising readers that "this is a hazardous time to go heavily into debt to buy securities."

On Black Thursday, October 24, and on the following Tuesday, October 29, came the deluge. The "usual quotas of bids for stocks on the books of specialists were soon filled by frantic orders to sell at the market," said a *Nation's Business* account.

"Then 'air pockets' were discovered—price areas where there were no bids whatsoever. Such a situation occurred in Standard Brands, and the specialist informally placed his book under his arm and walked away from his post for a time." Thousands of small stock-



PHOTO: THE BETTMANN ARCHIVE



PHOTO: THE BETTMANN ARCHIVE

holders who had speculated on margins of one third or less had to sell at a sacrifice, the article said, and that happened again and again at different levels.

When investment bankers moved to support prices, "the shorn lambs hated to see the so-called rescue forces buy up stocks at prices which seemed destined to net them a handsome profit."

Many rescuers doubtless needed rescue themselves as time went on. A 1930 *Nation's Business* article discussed rising Wall Street price levels, but that didn't last. By year's end the magazine was talking about depression and asking: "When are we coming out of it?" Answer: When a "vicious circle" of fear gripping "everyone from the big chief to the humblest worker" was broken.

That comment presaged the "only thing we have to fear is fear itself" inaugural speech of the man who beat

Herbert Hoover's re-election bid.

Franklin D. Roosevelt took office in March, 1933—the last President to be inaugurated in March and, after his 1936 victory over Kansas Gov. Alf Landon, the first to be inaugurated in January. (The date was changed in the 20th amendment, which was spurred by government inactivity during a November, 1932-March, 1933, interregnum at the darkest of points in the depression.)

Nation's Business had interviewed FDR shortly before the 1932 election. Actually, the article said, it was not an interview but a chat—"the easy discussion one would associate with an evening in front of a log fire."

The man who was to have many radio "fireside chats" during his presidency decried the formation of companies and arrangement of mergers "not to transact legitimate business or to lower production costs but primarily to facilitate

Severe drought compounded miseries for farmers in the '30s. Vernon Evans (top) and his family packed up the Model T and moved West in search of a new start outside the "Dust Bowl."

Meanwhile, New Deal measures often gave business miseries. The New York billboard at left carried a Nation's Business ad seeking sympathy for the private sector.



PHOTO: ARTHUR ROTHSTEIN—FARM SECURITY ADMINISTRATION



PHOTO: RUSSELL LEE—FARM SECURITY ADMINISTRATION

the sale of doubtful securities." He complained of tariffs "pushed to levels that upset international trade without compensating trade benefits" and, among other things, said government policy had contributed to the "demoralization of agriculture with more easy borrowing of money."

The article reported that FDR had an "instinctive preference" for "a minimum of coercive power by government" but thought some new regulation was needed. And it said he planned to cut government spending.

In office, of course, Roosevelt's New Deal decidedly leaned toward both regulation and—at a time of national desperation—more spending.

With people in bread lines and unemployment reaching staggering proportions, a National Recovery Administration was established. To spread the money around, the NRA set up "codes"

for industries to fix maximum working hours (40 per week, usually, but sometimes 35) and minimum wages (e.g., in wallpapering the minimum was 35 cents an hour for males and 32½ for females).

Enterprises everywhere sprouted an NRA symbol—a blue eagle accompanied by the words "we do our part," and there were more and more regulations.

Amid rising business complaints, the eagle was brought down by a chicken farm. In *Schechter Poultry Corporation v. United States*, the Supreme Court in 1935 ruled the National Industrial Recovery Act unconstitutional. That was not the last heard of the minimum wage, which became a national fixture with passage of the Fair Labor Standards Act three years later.

By that time Social Security was already a fixture—the law was signed in

1935. Other fixtures were the Federal Deposit Insurance Corporation, designed to guard savers against losses in bank failures, and the Securities and Exchange Commission, designed to guard investors against deception in the markets.

There was a 1935 interview with SEC Chairman Joseph P. Kennedy—"a blue-eyed man who laughs easily" and who, unknown to the writer, probably already dreamed of the presidency for one of his sons. "The government can provide some protection for the investor," said the father of Jack, Bobby and Ted, "but he'll have to provide the rest himself."

Even in the days of conservative Presidents Warren Harding and Calvin Coolidge, there had been complaints of too much bureaucracy. A 1923 article glumly forecast a nation of nothing but government workers if trends continued.

Under FDR, previous government growth paled by comparison. A 1935 article said there were 50 more agencies than when he took office. It quoted the Declaration of Independence, on George II: "He has erected a multitude of New Offices, and sent hither swarms of Officers to harass our people, and eat out their substance."

Gradually, with the New Deal using thousands of public works projects to "prime the business pump," the economy climbed partway out of a deep trough.

Americans who had more than idly talked of the possibility of revolution breathed easier. But a threat equal to that of the Great Depression was on the horizon.

In 1927, Merle Thorpe, then editor of *Nation's Business*, had interviewed Italian dictator Benito Mussolini. Before he went to Italy, he said, people had told him he would "come out raving about Fascism." And indeed, he could "understand why a businessman would admire Mussolini" for businesslike efficiency and vigor.

But then he quoted a Mussolini foe who had been imprisoned and later banished: "Casual visitors to Italy, in the face of a great moral tragedy, find that the trains run on time. . . . They do not ask themselves if justice also runs on time, if liberty also runs on time."

And now, with 1937 around the corner, another dictator with whom Mussolini was teaming up had been building his power for more than three years. His name was Adolf Hitler. ■



1912-1937

A Glimpse Of 1912

Ah, for the good old days like those 75 years ago, when doing business was simple. Such matters as the federal budget, government regulation, proper education for the work force, environmentalism and foreign competition were never on business people's minds. Right?

Well, business people didn't think their lives were simple then, any more than their successors of today think their lives are simple.

Let's meander through the first issue of *Nation's Business*, dated Sept. 2, 1912. It was called *The Nation's Business* then, as it was until 1925.

"Ninety million people now make up this great nation," said a message from the editors. "Every one of them, from the smallest infant to the oldest patriarch, is affected by another's work and success."

A "mutual dependence" that underlay "the interchange of commodities" had brought problems that were "comparatively simple when few people were here and small territory was covered" but had "intensified as the nation has grown and spread."

The message went on: "Now . . . when there are no more states to be carved from empty spaces, the problems of mutual dependence must be fully understood."

That statement about no more states would not have been made a year earlier. The last contiguous territorial gaps had been filled with the admission of New Mexico to statehood on Jan. 6, 1912, and of its western neighbor, Arizona, on February 14. There would not be a 50-star flag until Alaska and Hawaii achieved statehood in 1959.

National concerns 75 years ago often were similar to those of today, though not necessarily in degree.

The federal budget? Actually, there was none. Departments and agencies submitted spending requests to Congress individually. Nobody had an overall view of expenditures and revenues.

And that produced a faint similarity to today. Though federal spending levels were Lilliputian by present standards—\$713 million was the yearly average in the 1911-1915 period—there sometimes were deficits. Federal receipts, depending heavily on tariffs in

WHERE WE WERE

New Mexico became a state in January, 1912, and Arizona did in February. President William Howard Taft signed the statehood bills. Later that year, a fledgling business

federation—the Chamber of Commerce of the United States of America—would launch the premier edition of its publication, *The Nation's Business*.



PHOTO: LIBRARY OF CONGRESS

those days of income-tax infancy, averaged \$703 million. Deficits of \$10 million? Horrors!

In terms of today's dollar that would be \$115 million—a microscopic fraction of the \$220.7 billion deficit of fiscal '86.

A commission report on government efficiency that President William Howard Taft had sent to Congress called for annual administration-prepared budgets and presidential budget messages. The idea, Taft said, was "to have the expenditures, appropriations and estimates so classified and summarized that their broad significance may be readily understood."

Said a *Nation's Business* article on the report:

"The United States is the only great country which does not have a budget. Congress has each year made increasingly large appropriations on the theory that there is no need to take stock or consider what our revenues will be.

"We need a budget. . . . How much longer must we wait for the first essential to orderly governmental house-keeping?"

Little did anyone realize how long the wait would be. Democrat Woodrow Wilson beat Taft's re-election bid two months later—Theodore Roosevelt, running as a Progressive, took many Republican votes from Taft, whom he had chosen as his White House successor in 1908.

And Congress did not adopt a presidential budget law until 1921. Sadly, more budget reforms had to be enacted from time to time in following de-

cades—a process that many today see as far from finished.

Regulation? A story headlined "Pure Food Board Bans 'Greening'" appeared on the front page. (*Nation's Business* started out in eight-page newspaper format and did not convert to full-fledged magazine format until November, 1915. It accepted no advertising until March, 1917.)

A Referee Board of Consulting Scientific Experts had reported to the Secretary of Agriculture that making vegetables more attractive by coloring them with copper salts "must be considered injurious to health." Therefore, he ruled the practice was illegal adulteration under a 1906 food and drug law.

Education? The editors' message said it was "the nation's business to place before each American child such educational activities as can prepare it for the battle of life."

And, the message said, the nation not only should "safeguard from exploitation all who come from foreign lands to throw in their lot with us," but also should "impart immediately to their children the sense of actual inheritance in all the deeds and growth and successes that have been ours since we first breathed the breath of life as a nation."

In the year ending that June 30, one article reported, 838,000 immigrants had entered the country, along with 179,000 nonimmigrant aliens, "many of whom intend to take up residence." (Seventy-two percent of the immigrants had come through New York. In sharp

THE NATION'S BUSINESS

WASHINGTON, D. C., SEPTEMBER 1, 1987

ISSUED WEEKLY

THE NATION'S BUSINESS

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contrast with these days of Hispanic influx, only 0.26 percent had crossed the Mexican border. An even smaller proportion had come through Pacific ports—Orientals then were virtually excluded from immigration.)

There was no federal child-labor law in 1912, and though there were some restrictions under state statutes, many states had no child-labor laws. As a *Nation's Business* article on a just-ended congressional session noted, a Child Labor Bureau had been created in the Department of Commerce and Labor. But not until the advent of the Fair Labor Standards Act of 1938 was a basic 16-year minimum age set for production work in mining and manufacturing, with 14- and 15-year-olds permitted in other types of jobs if it did not interfere with health or education.

An article by a Boston educator said that at least half of youngsters between age 14 and 16 held jobs, and it argued: "A military system that confined its attention to the training of officers, ignoring instruction to privates, would be condemned. Yet such a

system has been followed educationally in our industrial army."

Youngsters "who have time and money to prepare for industrial leadership," it said, could go to public technical high schools. But most "have been obliged to enter employment with no preparation at an early age."

In Boston, however, boys and girls were taking part-time courses in such fields as shoemaking, banking and dry-goods sales, and employers felt "this instruction is of great benefit both to the employer and the employed."

Environmentalism? Nobody was talking about pollution by combustion engines or industry. But natural-resources conservation had been an issue for years—the first national forest reserve had been established in 1891, and Teddy Roosevelt, as President, had later given conservationist programs a big boost.

The editors' message urged regarding "the use of resources as better than either waste or disuse" and recommended "conservation that shall safeguard the nation's future while serving

the present." An article quoted the director of the Bureau of Mines:

"During the past year, in producing 500 million tons of coal, we wasted or left underground, in such condition that it probably will not be recovered in the future, 250 million tons."

Use of natural gas, rather than gas manufactured from coal, was in its infancy, but the director had his eye on it, too. In the same period, he said, "we turned loose into the atmosphere a quantity of natural gas larger than the total output of artificial gas ... in all the towns and cities of the United States."

Much of the issue was devoted to foreign trade, and most of what was said was upbeat for America, which—as reported in a subsequent issue—was edging out Britain as the world's leading exporter.

"England Shows Manufacturers Africa's Needs," said a headline, referring to South Africa, then part of the British Empire. It told of the British Board of Trade putting on an exhibition of tools and other products popular in the South African market. The object: to help British manufacturers capture a greater share of that market.

The article said American companies "largely" commanded sales of tools to South Africa—"it was remarked that British tools lack the finish of those of American origin."

Also, there was praise for the way U.S. products were packaged and for "the willingness of American manufacturers to study the wishes, habits and needs" of buyers.

Panama Canal construction was under way—the canal opened two years later—and, said a headline, "South America Expects Canal To Boom Trade."

The article told of docks and railroads being built in South America and of Latin businessmen touring U.S. factories to familiarize themselves with products they expected to sell.

Another article told how Germany's exports were being boosted by, for example, steamship-line subsidies from the imperial government.

The article said U.S. merchant shipping could not meet German competitors' rates because German crews were paid such low wages—wages that, it said, were no higher than those on Japanese ships.

That was the only mention of Japan in the whole issue.

—Henry Altman



1937-1962

Good Times After The Bad

By Henry Altman

America's economy was far from robust as *Nation's Business'* second quarter-century got under way in 1937, but ingenious business people were managing to survive and even thrive.

John M. Pine had auto dealerships in Winchester and Jacksonville, Ill. Cash was short there, as it was in the rest of the country, but farmers had crops.

So, an article in that depression year reported, Pine "combined the shrewdness of a natural trader with long experience as a farmer." As part payment on a car, he would accept livestock or feed corn for a farm he owned.

When a man who ran a hamburger place opposite the Jacksonville dealership "offered 2,000 sandwiches as a down payment, the deal was made, and Pine Motor Company employees were promptly given a bonus—as many hamburgers as they could eat. Customers were invited to step across the street and have a hamburger, and even the boss himself did not eat regularly at home until, in three months, the down payment had been consumed."

Those 2,000 burgers, at a dime per, represented something like a third of the price of an economy car.

Another 1937 article reported on a nascent trend that was to revolutionize food retailing. Singling out a supermarket pioneer named Michael Kullen, who in 1930 had begun advertising as "King Kullen, the Price Wrecker" in the New York metropolitan area, the magazine told how he sold at markups so low that competitors gasped. The explanation: He did more business under one roof than was done at 100 typical, small grocery stores.

About the time that article was written, an Oklahoma City grocer was introducing an invention: the shopping cart. It was to be instrumental in enabling customers to make selections without salesclerks at food markets that grew larger and larger and larger.

There was plenty of inventiveness in other business fields, too. Business ingenuity was invaluable to an America struggling through the late-depression years, war years that followed, a post-war adjustment period and a smaller war after that.

And it was one of the engines that drove the nation in a period of prosper-

The United Auto Workers won recognition from General Motors after staging a 1937 sit-down strike at GM's Fisher Body plant in Flint, Mich., and sit-downs were promptly

used against a variety of companies by a variety of unions. But the tactic faded as more companies agreed to collective bargaining. Below: victorious Chrysler sit-down strikers.



ous peace from the early '50s to the early '60s.

"One of the hopes of the music business" in the late '30s was Laurens Hammond, who didn't play a note but had invented the electric organ—not to mention an electric clock and an electric bridge table that shuffled and dealt cards at the press of a button.

He was "extremely facile with his hands—probably a hereditary trait, for his father, a Chicago banker, was ambidextrous and could write a letter with either hand while he dictated a third."

People in Los Angeles were known for preferring driving to walking, even if the distance was a few short blocks. As *Nation's Business* reported, a Security-First National Bank branch had "a motor lobby where deposits can be made without getting out of the car. The building is designed in the shape of a letter U. Automobiles enter on one

point and follow the curve around."

Some of those depositors may have been from Hollywood, long an important Los Angeles employer. (Paramount Pictures, a leading light of the silver screen, is celebrating its 75th anniversary this year.) Public desire for escape from depression reality kept the film studios busy.

Another industry important to L.A. was aviation. One 1937 article told how Donald W. Douglas, who had started out with military aviation contracts in 1921, had been building commercial transports since 1932 and now had 5,500 employees.

(A major reason for his success: He met a major need. C.R. Smith, longtime head of American Airlines, recalled for *Nation's Business* three decades later that American was in a "mathematically impossible business" in the early '30s because costs outstripped revenues. "We told Douglas that a larger airplane was needed, and we'd be glad to cooperate in figuring out the best design. We bought the first 20 DC-3s.")

Soon the company that introduced the DC-3 in 1936 and quickly sold it to

Innovation helped a nation meet the tests of a second global war—and peacetime tests, too.

The Japanese bombing of Pearl Harbor on Dec. 7, 1941, left 19 ships sunk or damaged and 2,300 dead. (Total battle deaths during the war:

292,000; total casualties: almost 1.1 million.) Just as America's combat forces had to meet crucial challenges, so did businesses in supplying them.



PHOTO: UPI—GETTMANN NEWSPHOTOS

most major airlines—and that built larger airliners years later—would be back to military work.

Unfortunately, while Americans yearned for a return to prosperity from within, there were those abroad who grabbed for prosperity and power at other countries' expense.

Japan, where militarists had assassinated two Prime Ministers, was now a military dictatorship. Japanese forces tried to conquer China, proclaiming a "Greater East Asia Co-Prosperty Sphere." The so-called Axis was created, allying Japan, Fascist Italy and Adolf Hitler's Nazi Germany.

The Nazis, imbued with super-race ideology—"today Germany, tomorrow the world"—took advantage of European democracies' wishful thinking. After Britain and France accepted Hitler's denials of conquest plans, the Nazis seized Czechoslovakia. *You Can't Do*

Business With Hitler was an American book title of the day.

There was no war when the Czechs lost their freedom, but there was when, on Sept. 1, 1939, as described in a January, 1942, *Nation's Business* article, "a young German officer swung open a primitive boundary gate and motioned his troops forward into Poland."

The article, which appeared less than a month after Japan had launched the surprise attack on America at Pearl Harbor, said: "German soldiers rampaged across Poland. They repeated in Holland and Belgium. The 'impregnable' Maginot Line burst at the seams, and ersatz boots goosestepped into Paris. Behind all this supernatural success were things like molybdenum, magnesium, manganese, tin, nickel, lead, zinc, copper, coal, petroleum."

The writer's point—it was a reprise of similar World War I exhortations—

was that Americans needed to conserve such materials. U.S. use of them had been increasing between Poland and Pearl Harbor, while France fell and Britain battled.

An article in November, 1940—the month when Franklin Roosevelt won an unprecedented third term—said that "we are starting what promises to be an arms race with Germany."

Planes, tanks, guns and ships began pouring out of factories and yards—the so-called arsenal of democracy—destined for Britain, and then also for decidedly undemocratic Russia. The Soviets had joined Hitler in aggression against Poland and now were victims of German aggression themselves.

With America's entry into the war, and the mobilization of millions of men, there was even more need for some materials. Ingenuity was called for, along with rationing and voluntary conservation. There was more paper recycling, for example, and increased use of glass in packaging because of a tin shortage.

Fuel was critical. In Canton, N.C., a paper company equipped timber-hauling trucks to burn charcoal. In Pontiac, Mich., there was a let's-ride-together car-pooling campaign.

William J. Engelke, of Fort Worth, switched from making fireworks to paper bombs and grenades. They were used for realistic battlefield simulation in training troops.

In Yucaipa, Calif., Nan Songer sold spider silk to makers of bomb and telescopic rifle sights. She got the silk, used for cross hairs, by touching a needle to black widows' spinning tubes.

One vital material in short supply was rubber. Cut off from natural rubber supplies by Japanese conquests, America hoped its small production of synthetic rubber would grow large enough to meet wartime needs. The producers came through.

By 1944 *Nation's Business* could report rubber was being supplied at 65 percent of prewar levels. Though civilians would not get tires any time soon, "America's battle of rubber has been won."

U.S. and allied fighting forces came through, too. Germany surrendered in May, 1945, a few weeks after the death

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of President Roosevelt, and Japan's surrender followed in August.

Harry Truman, FDR's 1944 running mate, was now President of a country that uncertainly faced the future.

Would there be a return to depression? To the pleasant surprise of many (see page 29), the answer turned out to be no. In the next two decades the economy, despite occasional dips, was characterized by expanding business opportunity, rising living standards, slow or even no inflation and continuing low interest rates.

Would there be international harmony? This time there was an unpleasant surprise. The answer again turned out to be no.

Josef Stalin's Soviet Russia, America's totalitarian ally against totalitarians, had made satellites out of Eastern European countries that were supposed to be free after the war.

There were fears that the Soviets were plotting behind their Iron Curtain to communize the rest of the world through aggression and subversion. When they gained possession of atomic weapon technology that had briefly been a U.S. monopoly, a Cold War was on in earnest.

Disarmament like that following World War I was out of the question. An article on business survival in a nuclear war urged planning to "preserve your company's structure by setting up lines of succession, alternate headquarters, duplicate records."

Subversion was a concern inside the country as well as abroad. A 1938 article had told of 20,000 communists and fellow travelers attending a New York rally to hear "condemnation of capitalists" and praise of the Soviets. One section of Madison Square Garden "was set aside for 4,000 new Communist Party members who stood up, raised their right fists and, with red spotlights on them, repeated the party pledge."

The article said there were only 75,000 communists and perhaps 1 million sympathizers in a population of 130 million, but it warned of Red efforts to bore from within, particularly in labor unions.

Some such efforts were at least temporarily successful.

In the late '40s and the '50s—the Alger Hiss case, the McCarthy hearings—there was mounting concern about communist infiltration in government, too. The concern reached fever pitch for many Americans but was pooh-poohed by others.

Meanwhile, there was aggression. In

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Television, long under development before World War II, came of age in the postwar years and had immeasurable impact. Here the

medium's educational value is tested in 1951: Students watch a hygiene program during a teachers' strike in Minneapolis.



PHOTO: FRANCES MILLER—LIFE MAGAZINE © TIME INC.

June, 1950, communist North Korea attacked the Republic of Korea, and President Truman, winner in an upset 1948 re-election race, promptly had U.S. forces fighting beside ROK troops.

As they had in the conflict that ended five years earlier, employers faced manpower shortages. Draftees, National Guardsmen and reservists who had signed on at the end of World War II—"retreads"—were called to the colors. Young men wondered: "Are we soldiers on temporary furlough or civilians temporarily in uniform?"

Again as in the previous conflict, there were price controls. An article headlined "Joe The Black Marketer Is Back" discussed Office of Price Stabilization ceilings on used cars and said a small minority of dealers were "mopping up." Though they charged the ceiling prices, they also got customers to put up extra money by taking an enforced bet: "I'll bet you can't lift that Cadillac over there 10 feet off the ground with one hand."

The communist regime that had won control of China, sending the Nationalists fleeing to Taiwan in 1949, entered the Korean conflict. America abstained from bombing Chinese territory for fear of bringing the Russians in, and fighting dragged on inconclusively.

When it ended in 1953, the United States had a new President. Gen. Dwight Eisenhower, vastly popular as commander of U.S. forces in Europe in World War II, was the first Republican to occupy the Oval Office in 20 years.

Wrote historian Allan Nevins in *Nation's Business*: "Business, for better

or for worse, has come back to a prominent place in policy making."

Like the present occupant of the White House, Ike was a conservative—and had a few years under his belt. When he ended his second term he was 70—at that point, the oldest President in history.

It was a good time to do business. Said a 1953 article: "Since World War II, investment for new plant and equipment for manufacturing alone has averaged nearly \$10 billion a year. We have many more new, efficient, time-saving plants that turn out more goods at relatively lower prices."

Meanwhile, a Treasury offering of long-term bonds at 3¼ percent was successful—the first major increase since a freeze in 1942. Though more interest rate rises followed, they were moderate, and rates remained far below today's.

Inflation? The Consumer Price Index, which jumped 7.9 percent in the Korean War year of 1951 and rose 2.2 percent in '52, edged up less than 1 percent during each of Ike's first two years in office and actually dropped in his third. Except for one year of 3.6 percent and another of 2.7, CPI increases hovered around 1 percent into the '60s.

Federal spending? There had been four years of budget surpluses under Truman, and there were three under Eisenhower.

The national debt, \$267 billion when Ike took office, was \$284 billion when he left eight years later. That year fed-

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The baby boom began in the late '40s, and soon there was a mass migration to the suburbs that kept moving companies busy, as evidenced by this 1953 Los Angeles photo.



PHOTO: J.B. EVERMAN—LIFE MAGAZINE © TIME INC.

eral outlays totaled \$92 billion, up from \$76 billion in his first year but less than a tenth of what they are now.

Tax rates, though, were high: The maximum was 91 percent on personal income, 52 percent on corporate income.

Nation's Business carried an article in 1960 adapted from a new book by C. Northcote Parkinson, British humorist-historian famous for "Parkinson's law": "Work expands so as to fill the time available for its completion."

He offered an expansion on his law: "Expenditures rise to meet income." If taxes brought in more, the government would spend more.

Sure enough, both federal spending and revenues rose in virtually every year since then, and there was only one more budget surplus (in 1969).

There were tax cuts ahead, however.

Richard Nixon, the Republican candidate in 1960, was unable to emulate

Martin Van Buren, the only Vice President since 1804 to be elected President. John F. Kennedy won by a razor-thin margin.

At first this man who promised to get America "moving again" wanted to raise taxes to finance expanded government programs. He changed his mind.

Walter W. Heller, chairman of Kennedy's Council of Economic Advisers, wrote in *Nation's Business* that the economy had been sluggish and that one major reason was the "drag exerted by our present federal tax system."

Striking a theme that supply-siders were to echo a generation later, he said that "well-timed tax reduction and reform can more than pay for itself in added [government] revenues over time" because a growing economy produces more taxes.

Reform legislation later cut the top personal tax rate to 70 percent, the top

corporate rate to 48. However, taxes, of course, were not the only cloud in business' sky. Labor unions had been on the ascendance since New Deal days, when an epidemic of sit-down strikes, in which workers occupied company premises, had been a dramatic symbol of militancy. Said *Nation's Business* in 1937: "Some labor men feel that a job has a semblance to property, which gives the right to stay and defend it against all comers."

The sit-down, which began with a landmark strike against General Motors, passed out of the picture as more and more companies reached agreements with unions. But a 1955 article was headlined "We're Heading For A Labor Government."

It said a "labor-management revolution" had begun in 1935 with passage of the Wagner Act requiring companies to bargain with unions. Since then union membership had soared from 3.7 million to 17 million. And the comparatively moderate, craft-oriented American Federation of Labor was merging with the militant Congress of Industrial Organizations.

A 1959 article on the AFL-CIO Committee on Political Education and other union political action committees quoted AFL-CIO President George Meany as telling 18 million union members: "We have not changed the complexion of Congress enough." In 1946, 25 so-called friends of labor had been elected to the Senate and 83 to the House. In 1958 the figures were 53 and 221.

In the international-trade arena, America appeared to have little to worry about, overall. It was a truism that "what America makes, the world takes." A 1945 article reported that "our servicemen are ... creating new markets for us. The world is learning to like American soft drinks, soaps, paper handkerchiefs."

Year after year, the balance of merchandise trade was positive. Small firms were among the exporters. A half-dozen Minneapolis men working in four home basements were making an engineering seismograph that was being used in 24 countries.

There were only inklings of trade deficits to come.

Germany, in ruins after World War II, made an amazing recovery achieved by German work and U.S. money—billions in economic aid. German exports were rising.

A 1956 article reported Germany had

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The White House tenure of Dwight Eisenhower, shown speaking at a 1958 U.S. Chamber of Commerce dinner, was a time when business enjoyed "a prominent place in policy making."



PHOTO: ED CLARK—LIFE MAGAZINE © TIME INC.

passed France as an exporter of cars in 1953 and in 1954 had passed America. Now the Germans were closing in on the British (400,000 cars a year) and would soon pass them.

In Japan, workmanship was improving: "Once, Japanese exports were mostly cheap goods—flimsy toys, light bulbs which burned out quickly and so on. But today's exports will be aimed at the quality and precision markets."

(A U.S. citizen had much to do with the change. A 1981 *Nation's Business* article, "The American Who Remade 'Made In Japan,'" told how W. Ed-

wards Deming had devised statistical analyses that reduced product defects. An honored figure in Japan to this day, he passed on his techniques to Japanese companies in the period when America was helping its former enemy's postwar recovery.)

A 1955 article said U.S. auto manufacturers had abandoned the idea of building plants in Japan because of "the maze of conditions the Japanese impose to protect the infant Japanese motor industry."

American industry was awash in other opportunities in the postwar period,

however. An October, 1945, article hinted at the baby boom to come. Noting there had been more than 7 million marriages in five years, it predicted great demand for infant wear and diapers. (Not disposable diapers, which weren't yet available when they were most needed.)

There were more marriages by the million, and birthrates soared. Business people were advised to get ready for a teenage wave that would start in 1960, when the number of children crossing the threshold age of 13 would increase nearly 40 percent.

There was a mass move to suburbs, where the voice of the power mower was heard loudly in the land—particularly after development of rotary mowers, which outsold reel mowers 9-1.

In 1956 construction began on the Interstate Highway System, which was to encourage many businesses to locate where costs were lower.

Pipelines made natural gas the country's No. 1 boom for a while. There was tremendous growth in plastics, in light metals and in air conditioning, which had spread slowly in the '20s, '30s and '40s.

There were the instant camera, the squeeze bottle, the paperback book...

And television, which had long been in the development stage. "More than 1 million homes and taverns in 27 cities are showing airborne pictures sprayed from 58 stations," said a 1949 article. "Wage earners hear the heartbreaking plea, 'When are we going to have a television set?' They are surrendering in droves."

And there was the photocopier. Xerox Corporation introduced a fast, completely dry copier in 1959. Because development costs would have made a sales price noncompetitive with other copiers introduced earlier, it leased on the basis of number of copies made. American offices were never the same again.

And there was the computer, initially used only by the government but soon available for business.

A 1955 article quoted a government official: "We are on the threshold of a business-office revolution which will free the white-collar worker from routine mental drudgery much as the industrial revolution of the last century freed the manual laborer from much physical drudgery."

Everything seemed to be coming up roses. For a while. ■

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1937-1962

The Slump That Wasn't

By Mark O'Brien



PHOTO: NATIONAL ARCHIVES—BLACK STAR

By early 1945 the worst was over. World War II was winding down; America and its allies clearly were going to win. However, a specter haunted Americans: the economic depression from which, many felt, only war had extricated them.

A major poll taken that January showed 48 percent of the population believed a depression would occur within five years (42 percent believed the country would probably avoid one). Most people, according to the same poll, felt the nation's foremost problem was finding enough jobs for the 16.1 million veterans of the war.

If Americans seemed preoccupied with economics, the so-called dismal science, it was because they had learned such a bitter lesson in the subject during the previous decade. Unemployment had been 25 percent in 1931, 1932 and 1933, and 18 percent in 1937. Even in 1940, when surging defense spending and production of supplies for beleaguered Britain were having an effect, it was a high 15 percent.

Since 1941 unemployment had fallen to 1.2 percent as a result of government wartime spending. Proponents of British economist John Maynard Keynes took that as vindication of his theories that economies needed government stimulation.

You did not have to be an economist to appreciate the power of federal

Many people felt the economic stimulation of war had brought the country out of a depression that produced scenes like this 1930 bread line.

spending. "We were making pills 24 hours a day, seven days a week, for 3½ years," says William G. Burns, retired president of a small Philadelphia pharmaceutical company. "It was all government contracts."

The question for economists, government policymakers and business people was who was going to pick up the slack once war spending stopped. Says Burns: "We got a wire in September, 1945, canceling all government contracts, effective immediately. You bet we were concerned."

Keynesian economists like Lawrence Klein—who as a professor at the University of Pennsylvania's Wharton School would win a 1980 Nobel Prize for developing new forecasting tools—predicted a deep depression if the economy was left on its own to adjust to peace. He said 25 percent of the work force—15 million people then—would be unemployed.

Alvin H. Hansen, Harvard professor and Federal Reserve Board adviser, noted that the frontier had long ago disappeared and that the birthrate had been declining since the early 1930s. If the economy was left on its own, he said, investment, consumption and employment would decline.

The doomsayers were wrong. One of history's greatest booms developed. Says Don E. Waldman, professor of

As World War II came to a close, Americans feared they would be plunged back into hard times. They got a boom instead.

economics at Colgate University: "It is quite clear now what happened. An avalanche of consumer demand was building, and economists did not see it coming."

Though academic economists misjudged the dimensions of pent-up demand, a number of business leaders did not, and their companies are still benefiting today.

As Fred R. Lazarus, then chairman of Federated Department Stores, noted in a 1966 *Nation's Business* interview, people were hungry for merchandise, and savings had been building up in war bonds. Lazarus responded with a major expansion program, particularly in the South and the West, that multiplied the company's sales sixfold in two decades.

Gen. Robert E. Wood, head of Chicago-based Sears, Roebuck, spent \$300 million on a nationwide store construction program. Meanwhile, Sears' great cross-town rival, Montgomery Ward, guarded its cash. Convinced that consumer demand would soon be exhausted, President Sewell Avery waited through the 1940s for the collapse that never came.

It was the same in other business fields. Says Colgate's Waldman: "There were nine independent auto companies after World War II. The companies that did not expand their distribution networks did not make it."

In retrospect it is easy to see why demand was enormous. There had been no such thing as a 1943, 1944 or 1945 Chevy because Detroit had been too

Mark O'Brien, president of Greene Associates, of Philadelphia, writes frequently on investments and economics.

WHERE WE WERE

The Slump That Wasn't



1937-1962

busy making military vehicles. Millions of GIs had worn khaki for 3½ years; they needed suits, shirts and shoes. Cellophane, nylon and rayon, long off store shelves, were suddenly back on.

Moreover, consumers had plenty of money. The slice of disposable personal income that went into savings ranged between 19.2 and 25.1 percent during the war years. It has been no higher than 9.4 percent—and as low as 3.1—since then. "The combination of cash and product availability, particularly after the wartime rationing, was simply irrepressible," says Waldman.

A factor that led to the boom's long life, some economists say, was a reduction in government spending accompanied by a rise in business spending. Between 1944—last full year of the war—and 1948, government expenditures dropped 87 percent, adjusted for inflation, while business investment rose 270 percent.

Some manufacturing statistics are

startling. The number of civilian autos produced rose from 70,000 in 1945—after Japan's surrender in August—to 6.6 million in 1950, while housing starts rose from 326,000 to 1.9 million. For instance, home appliances needed more electricity, which in turn meant more generator capacity.

Yet Americans were fearful. After all, the country had descended into recession 18 months after World War I.

Particularly worrisome was a three-year postwar surge of inflation (the Consumer Price Index rose 14.4 percent in 1947, higher than in any year since).

Inflation was feared not so much for itself, but for the deflation believed inevitable in its wake. Said *Nation's Business* in September, 1947: "The higher prices go, the more precipitous may be their drop." Inflation, in other words, was seen as a prelude to deflation and depression.

Some economists today say such fears might not have been so strong if there had been more realization that the spending on war that ended the

Great Depression had not really been required to end it. Misguided government actions—raising taxes during a downturn and overcontrol of business—had contributed to the depression's length, they say.

At any rate, the widespread apprehension was not altogether unhealthy. It tended to restrain speculative excesses that customarily accompany rapid economic expansion. That may explain in part why the recession of 1949—when, indeed, there was short-lived deflation—did not deepen into depression.

There were other reasons for prosperity besides consumer demand and business investment. Thanks to the Marshall Plan, the equivalent of \$60 billion in today's money was pumped into Europe, which rebuilt cities and industries with American goods.

In addition, war, this time the Korean conflict, provided the kind of stimulus in 1950 that had helped get the country out of the Great Depression a decade before.

Also, the birthrate did an abrupt about-face. Projections of declining numbers of consumers were forgotten as the baby-boom generation was clothed, housed, fed and transported.

And the GI Bill of Rights kept 8 million GIs out of the work force by helping them pay for college. These veterans, many of whom otherwise would not have had college educations, went out into the economy with skills and ideas that had a ripple effect in increasing creativity and productivity.

What are the lessons from the postwar period? We should not conclude that one school of economic thought necessarily will be wrong and another right, says Charles Maurice, a Texas A&M professor. After all, the Keynesians had been right in the 1930s and the classical economists wrong, he says. When, 16 years later, Keynesians argued that the economy was dying of senility, they were wrong as well.

The primary lesson seems to be our inability to predict the big changes. According to Maurice, economists and government policymakers are always preventing the last economic disaster.

America's experience after World War II is a perfect example. Maurice says that spending programs urged by some in 1945 "may have been all right for the 1930s, but they wouldn't have helped the postwar recovery one bit—the recovery was already in place." ■

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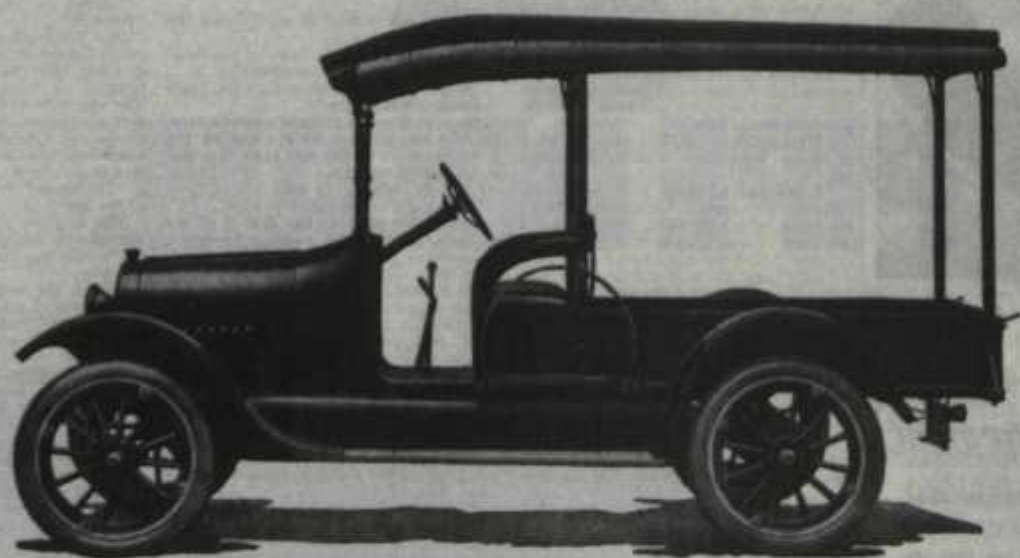
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1962-1987

High Marks In New Tests

By Henry Altman

When this magazine began publishing in 1912, a first-class postage stamp cost 2 cents. In 1937 it cost 3 cents, and in 1962 the price had risen to 4 cents.

Today, at the start of our fourth quarter-century, the cost is 22 cents, and a move is under way to make it 25 cents next year.

The big jump in the past quarter-century has come despite a panoply of postal-efficiency efforts, including development of superduper automation equipment, introduction of the five-digit zip code in 1963 and the advent of the business-oriented nine-digit zip in 1980.

Why have consumers taken such a pasting?

One factor is that the U.S. Postal Service, unlike the Post Office Department it replaced in 1971, is supposed to be self-sustaining. But the principal cause of the uprush in mail charges has been inflation.

When John F. Kennedy was assassinated in November, 1963, and the 1,000-day glitter of an administration called "Camelot" ended, inflation was running on a 1 percent track it had followed since 1959. The young President, in a *Nation's Business* article that appeared two months before his death in Dallas, wrote: "Our remarkable wholesale price stability in the past five years, while prices in most other countries were rising substantially, has given us a solid base for an improved international competitive position."

Under Lyndon B. Johnson, JFK's 1960 running mate and successor, inflation crept upward. It topped 4 percent in 1968, LBJ's last year in office. Much worse was to come.

LBJ christened his administration the Great Society, in the tradition of Kennedy's New Frontier, Eisenhower's Great Crusade, Truman's Fair Deal, Roosevelt's New Deal and Wilson's New Freedom. The Great Society combined butter—expensive social programs labeled a "war on poverty"—and, in South Vietnam, guns.

For years, the United States had been increasing aid to the government in Saigon, which faced a military threat from Red-led Viet Cong guerillas within and North Vietnamese communists without.

In August, 1964, three months before

Wary officers guard Chicago police headquarters during a storm of protest against the Vietnam War at the Democrats' national convention.

in 1968. A generation gap then was symbolized not just by protests and long hair, but also by attitudes toward business.



PHOTO: ART SHAW—ELUCO CHICAGO

LBJ beat Barry Goldwater and won a full presidential term, there was an incident involving U.S. vessels in the Gulf of Tonkin. A U.S. troop buildup in Vietnam began that was to peak at 543,000 in '69. Casualties mounted on both sides.

The war effort did not take as much out of America's economy as previous conflicts had—"we can carry on little wars without feeling economic ripples," said a *Nation's Business* commentator in 1965. However, costs rose.

Meanwhile, one domestic social program after another was enacted. LBJ made a microscopic dent in government spending by personally turning off lights left on at the White House. But, said a commentary, some of his programs were "pretty fancy pats of butter for even a guns-and-butter budget."

Medicare, the program to provide partial payment for elderly citizens' hospital care, began. The Department of Housing and Urban Development was created. *Nation's Business* pointed to overlap in a welter of laws: "Take the Demonstration Cities Act. It would subsidize everything from welfare to

housing to schooling. Every new law seems to stretch out its arms to take in as much as possible."

A 1967 article, describing waste in "more than 260 federal programs administered by 16 separate departments and agencies," told how the Bureau of Indian Affairs had provided modern homes for Quinault Indians in Washington State's Olympic Peninsula.

When the Indians began moving into new dwellings that were all-electric—heating units, ranges, washers and refrigerators—the nearest power line turned out to be 15 miles away. The Quinaults had to buy kerosene appliances.

Tax cuts in 1964 and '65 lived up to advance billing and increased government revenues. They stimulated investment, which led to greater profits and higher tax payments though rates were lower. But deficits—unaccompanied by monetary measures to squeeze out inflation—rose, too. Great Society programs' costs snowballed in post-LBJ years.

Opposition to the war in Vietnam snowballed earlier, with student dis-

After a second no-win war came the challenges of beating inflation and cutting big government down to size.

By the '80s, blacks and women had achieved new prominence in American offices, often in leadership or professional roles once almost

unheard of for them. Also achieving new prominence: the computer, which worried some people and delighted others.



PHOTO: JEFF JACOBSON—ARCHIVE PICTURES

senters at the fore. There were draft card burnings and White House picketings. Viet Cong banners were carried in demonstrations.

A *Nation's Business* article by Marine Corps Commandant Wallace M. Greene, headlined "Why We Will Win In Vietnam," reported Marines volunteering for extended tours of combat duty while Americans and South Vietnamese soldiers showed "camaraderie" and "singleness of purpose."

But contrary to the headline, we did not win. Like the Korean conflict, the war dragged on without victory. Antiwar demonstrations grew larger and more feverish.

LBJ decided he would lose if he ran in 1968; Vice President Hubert Humphrey was nominated. Richard Nixon, making a comeback, won the election.

Nixon launched a "Vietnamization" policy that turned over full combat responsibility to South Vietnam. The last U.S. combat troops left in August, 1972, the communists never really observed a 1973 ceasefire, and South Vietnam fell in 1975.

What about inflation? The Consumer

Price Index rose unevenly after Nixon took office. Using year-to-year figures, the increases were 5.4 percent in 1969, 5.9 percent in '70 and 4.3 percent in '71.

LBJ had tried to hold down prices by "jawboning"—publicly urging individual businesses or industries to curb increases—and by issuing wage and price "guideposts." (A wage guideline that had been set at 3.2 percent, so pay raises would not outstrip productivity rises, was honored in the breach by labor unions. Settlements in the first half of 1965 averaged 4 percent.)

Under Nixon, inflation was attacked in phases, and the CPI was held to a 3.3 percent rise in 1972, the year in which Nixon beat George McGovern and won re-election.

Phase I, starting in October, 1971, was a 90-day wage-price freeze. In Phase II, requests for permission to raise prices or wages went to a commission that scanned what had been charged or paid in a previous period. Phase III was a largely voluntary procedure, followed by a 60-day freeze on prices but not wages. Phase IV: guidelines again.

Gerald Ford, who as Vice President succeeded Nixon after the Watergate scandal led the latter to resign in August, 1974, abjured controls. C. Jackson Grayson had headed the price commission for 15 months, and he applauded the new President's decision. Wrote Grayson in *Nation's Business*:

"Controls led to artificial middlemen, black markets and plant shutdowns. Companies trapped with low base-period profit margins began selling out to those with higher base margins or reducing their product lines. There was false job upgrading to get around controls on pay raises. And shortages spread as higher world prices pulled domestic supplies abroad."

Before Nixon left office, a new force had entered the inflation equation: the Organization of Petroleum Exporting Countries. Interestingly, OPEC had been founded in 1960 on the initiative of an ecology-minded Venezuelan government official, who hoped higher oil prices would lead to energy conservation. His dreams, of course, eventually came true, though the price-raisers' motives were not necessarily his.

OPEC at first set a minimum price of \$1.80 a barrel. In the early '70s, led by Arab producers, it raised that to \$3.01. Then an Arab cutoff of oil to the United States and reduction of shipments to other Western nations during an Arab-Israeli war demonstrated that the traffic would bear much more.

In 1974 the price exploded to \$11.65.

Like the U.S. inflation rate, that price was to go a lot higher in years to come—it went all the way to \$33-plus in early 1983. And it fanned U.S. inflation flames. The Consumer Price Index rose 11 percent in 1974.

Wernher Von Braun, a German-born rocket expert who played a leading role in America's efforts to penetrate space, told *Nation's Business* in 1976: "When the Arabs imposed the oil embargo, I had a very sinful thought. I said they are doing us a favor by showing us how vulnerable we are."

And indeed, conservation efforts, switches to alternate fuels and a surge of oil exploration eventually reduced dependence on foreign oil. They also had a major impact on oil prices. The

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OPEC figure today is in the \$18 range.

Meanwhile, inflation moved unevenly upward. It dipped to 5.8 percent in 1976, the year when Gerry Ford lost to Jimmy Carter, but it reached double digits—11.3—in 1979. In 1980, Carter's final White House year, it peaked at 13.5.

And then, in the second year of Ronald Reagan's administration, it nosedived to single digits and stayed there, bottoming out last year at 1.9.

What reversed the inflation spiral, widely considered the nation's gravest economic crisis since the Great Depression? Much credit has been given to Paul Volcker, whom Carter named head of the Federal Reserve Board in 1979 and whom Reagan appointed to a second term that expired last month.

The Volcker-led Fed adopted monetary policy that yielded astronomical interest rates. For most of the '40s, the prime rate that banks charge their best and soundest customers had been below 2 percent. It had crept up in the following decades, but now it soared.

It averaged above 15 percent in 1980 and almost 19 percent in 1981—when,

for a while, it was a dizzying 21.5 percent. The tightness of money triggered a recession that was the worst since the depression. But it also took the wind out of inflation's sails.

And a conservative administration that wrung tax cuts from Congress, freed business from federal fetters and strove mightily to eliminate government waste put wind in the sails of free enterprise.

In December, 1983, the "misery index"—the sum of the unemployment and inflation rates—reached its lowest level in 11 years. Performance like that won Ronald Reagan a second term in 1984.

Inaugurated for his first term a few weeks short of his 70th birthday, Reagan pressed an agenda to reverse the spend-spend, tax-tax, regulate-regulate philosophy that had characterized so many administrations since 1932.

Carter had moved toward deregulation in trucking and air transport. Under Reagan there was a deregulatory thrust throughout government.

The Occupational Safety and Health Administration provided a notable example. OSHA had bothered business people since its creation in 1971. Worker welfare was one thing, they complained, but often-unnecessary, costly requirements were another.

(Carter's brother Billy, running the family's Plains, Ga., peanut warehouse, told *Nation's Business* in 1977 that OSHA was "after me to put a couch in the women's washroom in case someone gets sick. I don't have room.... So I told 'em to go to hell.")

Complaints about OSHA subsided after Reagan took office. OSHA switched to cooperation with employers, rather than confrontation. The approach paid off for everyone: Statistics showed reduction in on-the-job injuries.

Reagan has not managed to cut government spending, which consumes about the same proportion of gross national product today as when he took office. He has slowed the growth of nondefense spending, however, while increasing defense spending in light of a Soviet buildup. And Congress has

When Uncle Sam's Tax Bite Was A Nibble

Income taxes became a fact of American life after the 16th amendment to the Constitution was declared ratified on Feb. 25, 1913. But comparatively few dollars went to the tax collector.

An average household with income of \$8,961—the equivalent of \$100,000 today—would have paid \$40 in federal income tax in 1913. An actual income of \$100,000—equivalent to \$1,158,276 today—would have meant a \$2,510 tax.

Tax rates had multiplied by 1937, but except for the wealthiest Americans, their effect was only a hint of what they would become later. Federal income tax on \$12,800—the equivalent of \$100,000 today—totaled \$483. A household with an actual income of \$100,000 paid \$31,997.

By 1962 income taxes played a much more important role in American life. The tax on \$25,972—the equivalent of \$100,000 in 1987—was \$7,254, and a household with an actual income of \$100,000 would have paid \$51,912. The top bracket was 91 percent for income above \$200,000.

This year a typical \$100,000 house-

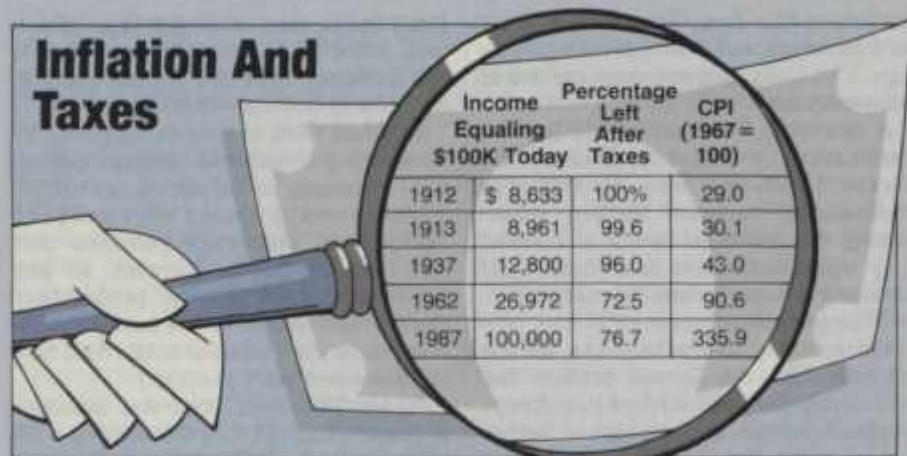


CHART: DESIGN, KIMBERLY HILLMAN; ILLUSTRATION, WARREN ISHIGURO

hold will pay income tax of about \$20,188. The first \$3,000 of taxable income is in an 11 percent bracket, and there is a top bracket of 38.5 percent above \$54,000.

Next year, when the 1986 tax reform is in full effect, the \$100,000 household will pay \$18,900. The rate will be 15 percent on the first \$29,750, at which point a 28 percent rate will kick in. At

\$71,900 there will be a 33 percent surcharge rate (which will drop back to 28 percent at a level that depends on the number of personal exemptions).

Martin Lefkowitz, the author of this article, is director of special projects for the National Chamber Foundation, an affiliate of the U.S. Chamber of Commerce.

spent some \$90 billion more than he asked in his first five budgets.

If the line is held on spending, the administration maintains, mountainous deficits will disappear under the impact of tax cuts that are stimulating the economy.

Adopting a supply-side philosophy, Reagan won passage of a 1981 law cutting marginal income-tax rates—the cuts were phased in, so that by 1983 the top rate had dropped from 70 percent to 50 percent. Last year historic tax-reform legislation made further deep cuts and reduced brackets, basically, to two.

As of next month, barring an unexpected downturn, the Reagan recovery will be America's longest peacetime period of economic expansion since 1796.

For a while, in the '60s and '70s, the free-enterprise system faced what some thought was as grave a threat as inflation.

Gaps between generations have been common in history, but few if any have been wider than that between the World War II generation and many of

its offspring. This gap manifested itself in more than long hair, electrically amplified rock music and demonstrations against the Vietnam War.

A Columbia University Graduate School of Business professor wrote in a 1969 *Nation's Business* article: "Violence is sweeping college campuses like a virulent disease. The basic tactic is to seize buildings, disrupt classes and create a general climate of terror."

Why was poison spreading among the ivy?

Rebels wanted "voting power over the university's budget and curriculum" to help bring on "a revolution to overthrow capitalism."

Not surprisingly, *Nation's Business* decided to ask readers, "Is youth today really worse?" It did so in 1970, with this preamble:

"The youth symbol of the early '50s is hardly the same cat today. The crew-cut, shiny-faced type in the tweed jacket has given way to the questioning cynic, who abhors conformity with his

elders' ideas of dress, manner or thought.

"Every generation has mumbled about kids going to hell in a basket, but some today think America's young have struck bottom. They point to increasing use of marijuana and drugs, to lower sexual barriers and to the things youngsters say . . . dismissing much of America's history, ideals and culture as irrelevant."

Most readers who answered the question said the young were no worse than their predecessors of other eras. Wrote one businessman: "More are good kids than are bad." Wrote a businesswoman, the mother of six: "Youths of today have finally learned to think for themselves."

The 26th amendment, dropping the minimum voting age to 18—it was 21 in most states—was proposed by Congress in March, 1971, and ratified four months later.

Like the sit-down strikes of the Great Depression, the sit-ins and other radical demonstrations of the '60s and '70s had

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a heyday and then gradually faded away. Antibusiness attitudes changed.

As early as mid-1971, *Nation's Business* reported that "more and more young men and women are opting for business careers"—there had been a 16 percent jump in enrollment at graduate business schools. Two years later the magazine reported the percentage of college freshmen considering themselves liberal or far-left had dropped from 38.1 to 35.2 in a year.

Meanwhile, there were dramatic changes in two other parts of society. Neither women nor blacks had ever fully enjoyed America's wealth of job and entrepreneurial opportunities.

In 1919 *Nation's Business* reported that World War I had accelerated a long-term trend of women filling "men's jobs." An article two decades later told of women developing businesses in the midst of depression. During World War II many a "Rosie the Riveter" again filled in for men in the military.

But it was not until the 1960s that fundamental change came. A 1964 civil-rights act forbade employment discrimination, there was a wave of feminism, and more women reached high levels of education. In growing numbers, women entered business management or started their own enterprises.

Said a 1976 article: "When Lucille Tereganowan unveiled the sign over her new shop in Penn Hills, Pa., a man driving by hit the curb and almost wrecked his car. The sign read: 'Transmissions by Lucille.'"

The civil-rights act also banned job discrimination on the basis of race, and soon there were numerous efforts to make up for the past and improve blacks' present. Some of the efforts were required, but many were voluntary.

Pacific Telephone & Telegraph Company, said a 1967 article, got few job applications from minority members, so it started an aggressive recruiting program. "In 1962 it had slightly over 4,300 minority workers on its payroll. Today it employs over 8,000. The number of supervisory, professional, sales and technical jobs held by minorities has increased fivefold."

There was much business sentiment for giving blacks "a piece of the action" by helping them start their own enterprises. The Small Business Administration, which had been established in 1953, set up special loan programs for minority entrepreneurs. And many

What were the best years for business in the past 75? Ben Dirks (left), who runs the Dirks Furniture Company and Funeral Service in Olivia, Minn.,

chooses the '70s, when high inflation helped his business. His father, Harold, says the best were the World War II years.



PHOTO: STEVE WOOT—PICTURE GROUP

blacks pursued the American dream of business ownership on their own.

Black Enterprise magazine, which annually lists the top 100 black-owned companies, says sales of those on its first list 15 years ago totaled \$473 million. This year's figure, far outpacing inflation, was \$3.3 billion.

Other major changes in the past quarter-century:

- The rise in imports (see page 54). In 1960 U.S. factories turned out nearly half the world's autos. Today such honors go to Japan, and about 30 percent of cars sold in this country are made abroad. A growing number are made at foreign-owned plants here.

- The fall of unions. Organized labor is still a powerful force in America, but nothing like the Goliath it once was. Starting in 1975, it began losing more unionizing elections than it won. Union membership has been declining as a percentage of a national work force that has become more white-collar and service-oriented. (Just after World War II, 35.5 percent of nonagricultural workers were union members. Today 19 percent are.) And business political-action committees, starting in the '70s, have been vying successfully with labor PACs in political elections.

- The advance of the computer, which moved to transistors from vacuum tubes in the '60s and to silicon chips in the '70s, replacing punch cards with magnetic disks along the way. It may be hard to believe, but the ubiquitous personal computer is only 10 years old.

Articles preceding this one have highlighted major changes in the two previ-

ous quarter-centuries. Which times have been the best?

Ben Dirks, who runs the Dirks Furniture Company and Funeral Service in Olivia, Minn.—you met him in the first article—has a surprising answer: the '70s. High inflation was good for his business, if not for so many others, because long-held inventory could be sold at higher prices.

His father, Harold, also has a surprising answer: the World War II years. Farmers were getting \$2 a bushel for wheat, he says, and the company, which had an ample supply of furniture, had no trouble selling it.

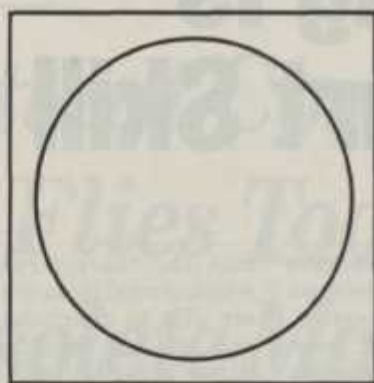
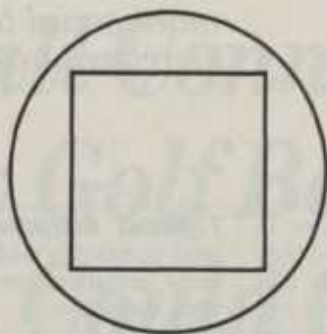
Robert Beam, Jr., president of 75-year-old Staunton Steam Laundry, Staunton, Va., whom you will meet on page 60, thinks the late 1940s, just after the war, were the best. "People went on big spending sprees," he says.

James McNeal, president of a much larger enterprise also founded in 1912, thinks fondly of the '50s. The Budd Company, of Troy, Mich., makes auto parts, and those were busy years for an auto industry making up for time lost during the war.

Other business people, someday, will look back at these as the good old days.

One thing all will agree on: The story of American business has been an exciting one in the past 7½ decades, and it doubtless will be the same in the years ahead. ■

Rachel Orr assisted with research for this article.



How to get out of the business you're not in.

Both of these circles are the same size. Yet one appears larger.

The same can be all too true in business.

Suppose, as a manufacturer, you had significant assets tied up in a distribution system. Or, if you were in aviation, in maintenance and overhaul facilities.

You'd be like the circle on the left. With more assets. But somehow, smaller.

Ask yourself, then, what business you're truly in. Chances are, it's neither the transportation nor the maintenance business.

By getting out of them—and concentrating instead on your primary business—you could add efficiency. Productivity. Free up capital to improve your product. Your market share. And, ultimately, your size.

To discuss this way of thinking in greater depth, write our Chairman, M. Anthony Burns, at Ryder System, 3600 NW 82nd Avenue, Miami, Florida 33166.

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Listening Is A 10-Part Skill

A 30-year-old article offering advice on an often overlooked managerial technique is as relevant as ever.

Over the decades, Nation's Business has published hundreds of articles on successful management techniques. The one that drew the greatest number of reprint requests was written by Ralph G. Nichols, head of the department of rhetoric at the University of Minnesota, in 1957. This is a condensed version.

White-collar workers, on the average, devote at least 40 percent of their workday to listening. Yet tests of listening comprehension have shown that, without training, they listen at only 25 percent efficiency.

This low level of performance becomes increasingly intolerable as evidence accumulates that the level can be significantly raised.

One study has shown that listening skills can be improved in 10 ways.

1. Find an area of interest. Be interested in the topic under discussion. Bad listeners usually declare the subject dry after the first few sentences.

We ought to say to ourselves: "What's he saying that I can use? What worthwhile ideas has he? Is he reporting any workable procedures? Anything that I can cash in, or with which I can make myself happier?"

2. Judge content, not delivery. Many listeners excuse inattention to a speaker by thinking to themselves: "Who could listen to such a character? What an awful voice!"

The good listener asks, "Does this speaker know some things that I need to know?"

3. Hold your fire. A speaker can seldom talk for more than a few minutes without touching upon a pet bias or conviction. In either case, overstimulation reflects the desire of the listener to enter, somehow, immediately into the argument.

We must learn not to get too excited about a speaker's point until we are certain we thoroughly understand it. We must always withhold evaluation until our comprehension is complete.

4. Listen for ideas. Good listeners focus on central ideas; they tend to recog-

nize the characteristic language in which central ideas are stated, and they are able to discriminate between fact and principle, idea and example, evidence and argument. Poor listeners concentrate too much on trying to commit too many facts to memory too fast.

Grasping the speaker's central idea requires ability to recognize conventional organizational patterns, transitional language and the speaker's use of recapitulation.

5. Be flexible in note-taking. There is some evidence to indicate that the vol-

"Good listeners focus on central ideas; they tend to recognize the ... language in which central ideas are stated, and they are able to discriminate between fact and principle, idea and example."

ume of notes taken and their value to the taker are inversely related. In any case, the real issue is one of interpretation. Few of us have memories good enough to remember even the salient points we hear. If we can obtain brief, meaningful records of them for later review, we definitely improve our ability to learn and to remember.

6. Work at listening. Listening is hard work. For selfish reasons alone, one of the best investments we can make is to give each speaker our conscious attention. We ought to establish eye contact and maintain it, to indicate by posture and facial expression that the occasion and the speaker's efforts are a matter of real concern to us. When we do these things we help the speaker express himself more clearly—and we in turn profit by better understanding of what he is communicating.

7. Resist distractions. Poor listeners tend to tolerate bad conditions and, in some instances, even create distractions themselves.

A good listener instinctively fights distraction. Sometimes the fight is easily won—by closing a door, shutting off the radio, moving closer to the person talking or asking him to speak louder. If the distractions cannot be overcome that easily, then it becomes a matter of concentration.

8. Exercise your mind. Perhaps the one word that best describes the bad listener is "inexperienced." Although he spends 40 percent of his communication day listening to something, he is inexperienced in hearing anything tough, technical or expository. Such a person is a poor producer in a factory, office or classroom.

Good listeners apparently develop an appetite for hearing a variety of presentations difficult enough to challenge their mental capacities.

9. Keep your mind open. Our psychological blind spots are the dwelling place of our most cherished notions, convictions and complexes. Often, when a speaker invades one of these with a word or a phrase, we turn our minds to retracing familiar mental pathways crisscrossing our invaded areas of sensitivity.

When such emotional deafness transpires, communicative efficiency drops rapidly to zero.

Effective listeners try to identify and to rationalize the words or phrases they find most upsetting and remove them as roadblocks to understanding.

10. Capitalize on thought speed. Most persons talk at a speed of about 125 words per minute. There is good evidence that if thought were measured in words per minute, most of us could think easily at about four times that rate. Thus we normally have about 400 words of thinking time to spare during every minute a person talks to us.

What do we do with our excess thinking time while someone is speaking? The good listener constantly relates his thoughts to what is being said. Not capitalizing on thought speed is our greatest single listening handicap. **■**

NEW PRODUCT NEWS...

Small Connecticut Company's New Golf Ball Flies Too Far — Could Obsolete Many Golf Courses

*"... it would turn the course into a par-three,
and real men don't play par-three's."*

Pro Hits 400-Yard Tee Shots During Test Round

Want To Shoot An Eagle or Two?

By Mike Henson

MERIDEN, CT — A small golf company in Connecticut has created a new, super ball that flies like a U-2, putts with the steady roll of a cue ball and bites the green on approach shots like a dropped cat. But don't look for it on weekend TV. Long-hitting pros could make a joke out of some of golf's finest courses with it. One pro who tested the ball drove it 400 yards, reaching the green on all but the longest par-fours. Scientific tests by an independent lab using a hitting machine prove the ball out-distances all major brands dramatically.

The ball's extraordinary distance comes partly from a revolutionary new dimple design that keeps the ball aloft longer. But there's also a secret change in the core that makes it rise faster off the clubhead. Another change reduces air drag. The result is a ball that gains altitude quickly, then sails like a glider. None of the changes is noticeable in the ball itself.

Despite this extraordinary performance the company has a problem. A spokesman put it this way: "In golf you need endorsements and TV publicity. This is what gets you in the pro shops and stores where 95% of all golf products are sold. Unless the pros use your ball on TV, you're virtu-

ally locked out of these outlets. TV advertising is too expensive to buy on your own, at least for us.

"Now, you've seen how far this ball can fly. Can you imagine a pro using it on TV and eagle-ing par-fours? It would turn the course into a par-three, and real men don't play par-three's. This new fly-power forces us to sell it without relying on pros or pro-shops. One way is to sell it direct from our plant. That way we can keep the name printed on the ball a secret that only a buyer would know. There's more to golf than tournaments, you know."

The company guarantees a golfer a prompt refund if the new ball doesn't cut five to ten strokes off his or her average score. Simply return the balls — new or used — to the address below. "No one else would dare do that," boasted the company's director.

If you would like an eagle or two, here's your best chance yet. Write your name and address and "Code Name S" (the ball's R&D name) on a piece of paper and send it along with a check (or your credit card number and expiration date) to National Golf Center (Dept. H-531, 500 S. Broad St., Meriden, CT 06450. Or phone 203-238-2712, 8-8 Eastern time. No P.O. boxes, all shipments are UPS.

One dozen "S" balls cost \$21.95 (plus \$1.95 shipping), two to five dozen are only \$19.50 each, six dozen are only \$99.00. You save \$43.00 ordering six. Shipping is free on two or more dozen. Specify white or Hi-Vision yellow.

Mike Henson is a free-lance sports writer who covers golf extensively.



A Business Scrapbook

It has taken a rich mix of talent to create America's wealthy economy. Our scrapbook's initial focus is on people notable in the business world's upper rungs. (The somewhat less notable lady below represents the many workers down the ladder whose skills also are needed for a business to succeed.)

We have not tried to be all-inclusive. For example, we show Apple Computer's developers of the mass-produced personal computer but not J. Presper Eckert and John W. Mauchly (*Nation's Business*, December, 1971), who invented the computer itself 30 years earlier, or the executives who made IBM No. 1 in the computer world.

The photos start (right) with four friends at an abandoned waterwheel on a 1918 camping trip. They are Thomas A. Edison, whose countless inventions began with the phonograph and electric light in the 1870s; naturalist John Burroughs, famed for writings on outdoor life; Henry Ford, then easily the leading auto producer (General Motors took the lead in 1926); and Harvey Firestone, tire-industry pioneer.



PHOTO: THE COLLECTIONS OF HENRY FORD MUSEUM & GREENFIELD VILLAGE



PHOTO: THE BETTMANN ARCHIVE

Hortense C. Stollnitz, 21, of New York, was called the world's fastest typist in 1921. Her record: 9,544 words per hour (that's 159 per minute). Note the manual typewriter. Edwin H.



PHOTO: THE BETTMANN ARCHIVE

Land also won fame for speed, but in photo finishing. Land founded the Polaroid Corporation—at first a maker of sunglasses and a glare-free study lamp—in 1937. Here, 10 years

later, he shows positive and negative film taken from a new camera he had developed. The camera produced finished pictures in seconds.

Join us on a random walk through 75 years of change in ways of life and earning a living. These six pages of photos will stir many a memory.



PHOTO: THE STANDARD OIL COMPANY (1930)



PHOTO: XEROX CORPORATION

Top: Oil magnate John D. Rockefeller liked to give dimes as mementoes, as in this 1930 photo. He also gave \$500 million-plus to philanthropy. Left: Chester Carlson struggled to perfect a

dry copier, and finally a company named Haloid underwrote research. Haloid's name became Xerox. Carlson is flanked here in 1948 by Joseph Wilson, company president (right),



PHOTO: APPLE COMPUTER, INC.

and John Dessauer, research chief. Inset: Carlson's first xerographic image. Right: Apple Computer founders Stephen Wozniak (left) and Steven Jobs in 1976.

A Business Scrapbook



In 1912, when women dressed like the ones at left, fewer than 25 percent held jobs, but many others were not stay-at-homes. These women picketed for Prohibition. Others agitated for

suffrage, which was achieved through the 19th Amendment in 1920. That year also produced the photo at right of happy members of a Goodyear Tire & Rubber Company basketball team.



PHOTO: BROWN BROTHERS



PHOTO: GOODYEAR TIRE & RUBBER COMPANY



PHOTO: MARGERY COLLINS—OWS—FARM SECURITY ADMINISTRATION

During World War II, as during World War I, many women took over jobs normally held by men. (The photo at left was made in 1942.) Between wars, there had been a slow increase



PHOTO: NINA LEEN—LIFE MAGAZINE © TIME INC.

in the proportion of female wage earners, and the increase accelerated after the second conflict. Today nearly 70 percent of work-age women hold jobs. Not that there isn't work to

do aplenty for homemakers. The 1947 photo at right was designed to show how much cleaning was covered by one homemaker in a typical week.

Hemlines on the women at left were low, as they were during much of the '20s, but toward the end of the decade "flappers"—young women who denied many of their elders'

conventions—wore skirts higher. But not as high as the miniskirts seen on streets and in offices in the late '60s and early '70s. The photo at right was taken in 1969.



PHOTO KEYSTONE



PHOTO VERNON WERRITT—LIFE MAGAZINE © TIME INC.



PHOTO DOB STEVENSON

As did this worker in 1981, women today have types of blue-collar jobs they formerly would never have held. Women also are often in professional and managerial positions once

almost exclusively male. And female entrepreneurs are the fastest growing segment of the business community. Someday, it has been predicted, when a little girl is asked what she wants to

be when she grows up, she will probably say: "I want to own a business, just like my mommy."



Hitachi's wide-ranging audiovisual technologies include Picture-in-Picture for simultaneous viewing of more than one program on a single TV screen, DAT, a high-density projection display, and frame memory used in IDTV.

AUDIOVISUAL

AV should be more than faithful sight and sound reproduction. Ideally, it also creates drama and ambience.

Digital technology (the conversion of conventional signals into computerized zeros and ones) has led to a remarkable proliferation of audiovisual uses — in TV, for example, for more diversified and sophisticated programming and information services accessible through computer connections or videotex terminals. And this is only the beginning.

Hitachi's scientists and engineers are using digital applications such as frame memory to develop Improved Definition TV. IDTV will greatly improve picture quality without changing current broadcasting standards by doubling the density of scanning lines and increasing vertical resolution 1.5 times. This same Hitachi technology has resulted in the Digital Audio Tape recorder, which is capable of superior recording and reproduction.

Hitachi's original screen technology has led to high-density big screen projection TV, using screens up to 110 inches. It is contributing to a wholly new technology, High Definition TV. HDTV is capable of photographic quality resolution and will soon enable satellite services to transmit wide screen images that give the viewers the feeling of actually being there.

We link technology to human needs, and believe that our special knowledge will lead to numerous easy-to-use systems and products with highly advanced functions. Our goal in audiovisual — and in medicine, energy and transportation as well — is to create and put into practice products and systems that will improve the quality of life the world around.



HITACHI

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A Business Scrapbook



The horse was still a heavy hauler of goods in 1915, when there were only 158,000 trucks and 2.3 million cars in this country. The scene: Chicago's South Water Street produce market,

which today is miles further south and is filled with tractor-trailers. There now are 134.6 million cars and 38.6 million trucks in the United States.



PHOTO: NATIONAL ARCHIVES



PHOTO: JOHN WACHON—FARM SECURITY ADMINISTRATION

"He's a man way out there in the blue, riding on a smile. . . . When they start not smiling back—that's an earthquake." That characterization in the 1949 play "Death of a



PHOTO: BROWN BROTHERS

Salesman" would have had special poignance for the traveling salesman shown at left in a 1930s hotel lobby. Another traveler, in 1912, found he could buy fuel for his motorcycle

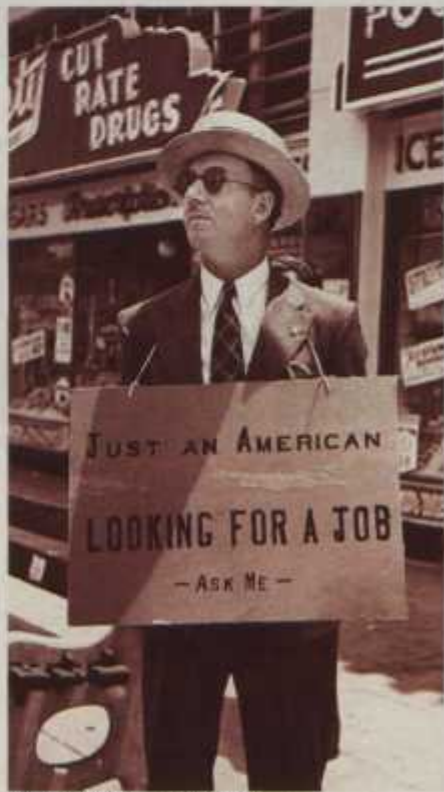


PHOTO: CARL BYDANS—LIFE MAGAZINE © TIME INC

from a street vendor. The man at right was one of 9.5 million unemployed Americans—17.2 percent of the civilian work force—in 1939.

Advanced methods—which now include use of lap-top computers on Wyoming cattle ranges—have helped make U.S. agricultural productivity one of history's great success stories,

even if many farmers' finances have been dismal in recent years. Less than 3 percent of the working population is in agriculture today, compared with 34 percent 75 years ago.

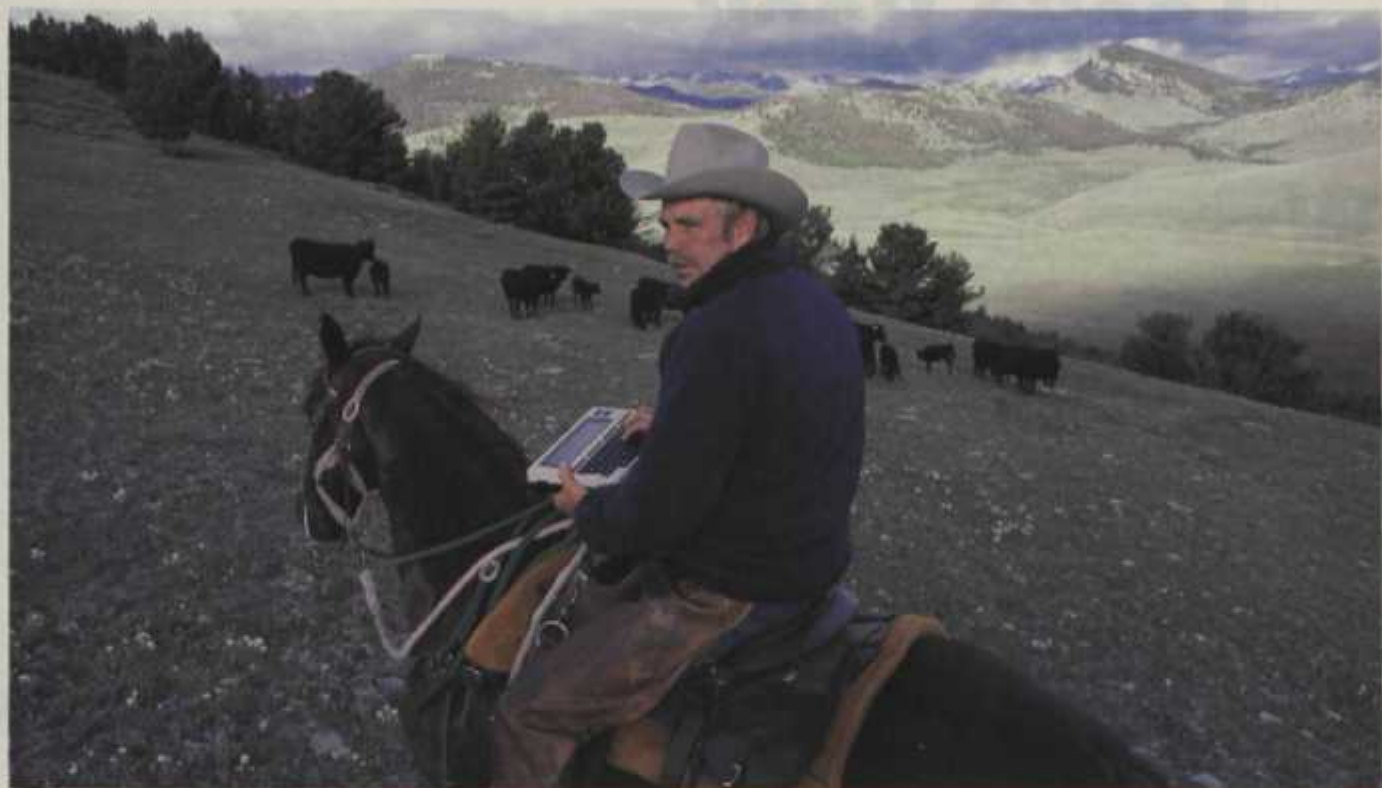


PHOTO: BRUCE MALLISTER



PHOTO: BURT GLINN—MAGNUM PHOTOS

In the late '60s, rising trading volume often forced the New York Stock Exchange (above) to take time off to catch up on paperwork. Today trading volume 14 times as high—it



PHOTO: CHARLES HARBUTT—ARCHIVE PICTURES

averages 179 million shares daily—is handled electronically and easily. Air travel has also risen, with business accounting for 75 percent of trips in small craft like the one shown and 46



PHOTO: LYNN JOHNSON—BLACK STAR

percent in airliners. Right: construction in Houston, a sun belt city whose metropolitan area population has risen from 250,000 to 3.6 million in 7½ decades.



A Country Sage Looks Back

By James J. Kilpatrick

When the assignment came my way to write about social and economic trends of the post-war years, my first thought was to interview Prof. J. Taliaferro Spelvin of Rappahannock County, Va. The venerable J.T. is not really a professor—he just looks like a professor, what with his rumpled tweeds, his meerschaum pipe and his well-scratched head—but he qualifies as a fountainhead of wisdom in the Blue Ridge Mountains.

He is no good at picking horses, but he is great at spotting trends. He saw the trends toward white wine, blue jeans and tennis. The world's greatest designers consult him on hem lines. When J.T. says hems go down, they go down; when he says they go up, prepare the whistle.

I found the professor at his home computer, where he was playing some shoot-'em-down game to keep his reflexes sharp, but he willingly suspended the carnage in order to discuss the business at hand. How would he characterize trends of the postwar period?

"Zi-i-i-p!" said the sage. "It's life in the fast lane."

J.T. ignited his pipe and expanded on the theme. What's the biggest growth industry of our time? Fast food. Instant potatoes. Minute rice. Express lanes at the store. Put the chops in the microwave, and let 'em thaw!

"If you want to name an age for our times, like the Iron Age or the Golden Age, I'll give you the Disposable Age. The fellow who invented the disposable diaper was a greater benefactor to womankind than the inventor of pantyhose. We don't keep things any more; we use them and throw them away—razors, cigarette lighters, flashlights, children's watches. This year someone

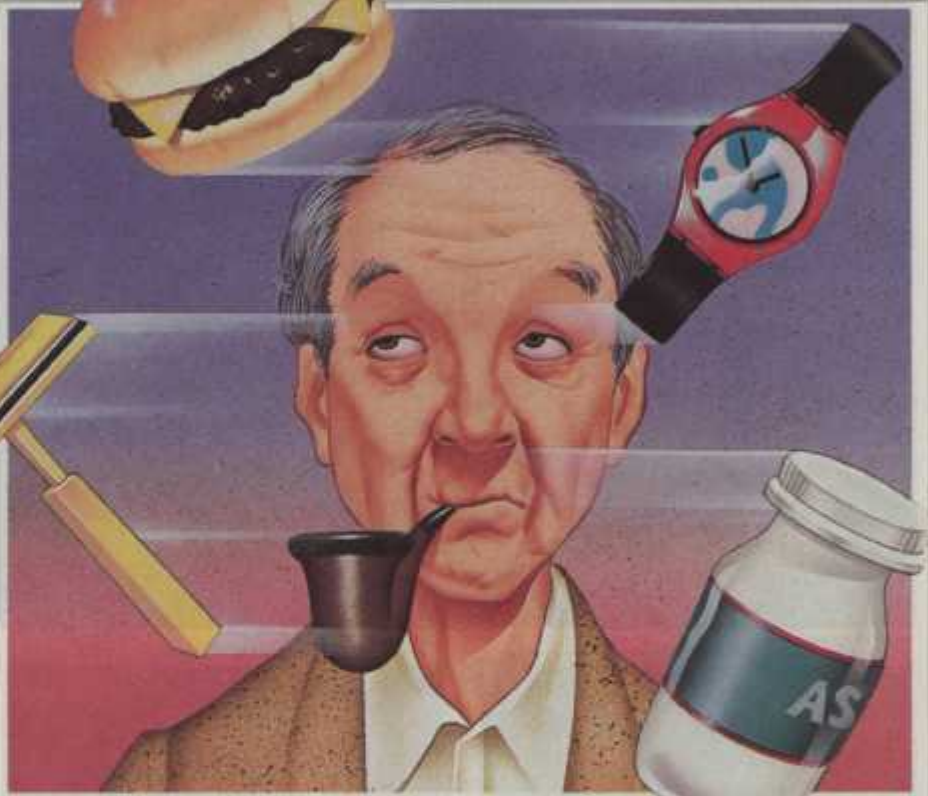


ILLUSTRATION: DARY YELDELL—EUCALYPTUS TREE STUDIO

is marketing a throwaway camera."

Spelvin was getting wound up. "It's also the Age of the Red Queen," he said. "You remember that, in *Through the Looking Glass*, Alice and the Red Queen started running as fast as they could run. They got nowhere. In the world of the Red Queen, 'It takes all the running you can do, to keep in the same place.' Look at our obsession with hurry, hurry, hurry."

"A fellow called the other day to sell me a car phone. He thought I might get out on the road and want to make a deal. If I couldn't use a car phone, he would sell me a portable phone. Back in February, a TV commercial for a headache remedy said it all: 'I haven't got time for the pain.' This Model T computer of mine is only two years old, but it's already obsolete. It goes at a million computations a second, or some such, and the new generation will go at a billion."

"Politicians don't make campaign speeches these days. They make 20-second bites for TV. One of the big controversies of 1987 had to do with speed limits on the interstate highways. On a

trip of 65 miles, the time difference between averaging 55 and averaging 65 is 10.8 minutes. What do people do with the time they save?"

The professor answered his own question. "They go jogging," he observed. "On any given morning in Washington, you will find 500,000 people jogging, running or speed-walking. They are listening to instant Italian on their earphones. They will be healthy, by gum, if it kills them."

Health is the market of the moment, he said, and we ain't seen nothing yet. We are gobbling down vitamins like chickens after corn. Anything with "diet" in front of its name is a hot item.

"Hazards everywhere!" J.T. shouted. "If we go outside, the smog will kill us if the acid rain doesn't. The ozone layer is full of hair spray. The seas are rising as the icecap melts. If we stay inside, we risk horrible death from asbestos, formaldehyde, ambient smoke and maraschino cherries."

He paused to get his air pollution puffing. Then he addressed himself to the Age of the Impenetrable Package. The packaging industry, he speculated,



James J. Kilpatrick wrote a monthly column for this magazine for 12 years. Like J. Taliaferro Spelvin, he has become a bit long in the tooth, so he began shedding such duties in 1986.

In their throwaway society, Americans haven't got time for the pain, or much of anything else. They're in a rush toward the future.

is well on its way toward its ultimate goal. Soon it will be impossible for anyone to open anything, anyhow.

J.T. had awakened at 2 on a recent Monday morning, and in the hope of getting back to sleep he had sought relief from a sleeping tablet. He attacked the plastic barricades around the tablet with a nail file and manicure scissors, then with hammer, chisel and fire tongs, finally with hedge shears and a bowie knife. It was Tuesday afternoon before the barricades yielded.

The professor didn't think much of cultural trends. As a licensed grandfather, he had to attend the high school's spring play, in which his granddaughter had a part. The scene required a boy and a girl to waltz. "It was awful," he snorted.

"They never had danced that close before." He wondered why teenagers are obsessed with turning up the volume controls. If it's loud, it must be good. Is that what they're saying?

What has become of old virtues, Spelvin wanted to know. He had been to a movie rated PG, and the profanity got to him. "My mother would have washed my mouth out with soap," he said. In his semiretirement he had been watching some of the afternoon dramas on TV. He left one couple in bed on a Tuesday, went off on a trip and found them still in the sack two weeks later.

I suggested that J.T. was sounding pretty dour. No, indeed, he said, he was really upbeat about the future.

"Look, son, Americans have always been people in a hurry. That's how the West was won. They always have been

innovative. That's our genius. They always have been rich enough to throw things away. That's our good fortune, and it's one reason for the steady improvement in products and lifestyles. We don't stick forever with a single mousetrap.

"So the kids make a lot of noise and delight in being sloppy. So what? They'll grow up to complain about their kids making a lot of noise and being sloppy. And one of these days, if you want me to spot a trend for you, there will be a trend back toward the old virtues in social behavior. This is a great country, and don't you forget it."

And with that, Prof. J. Taliaferro Spelvin, sage of Rappahannock County, turned to his computer, shot down an alien invader and recorded his triumph with a plume of awful smoke. **■**



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75 Nation's Funny Business

There is a timelessness to business situations that generate a laugh.

Have you ever had a demanding customer, or one whose request caught you completely by surprise?

How about that business lunch, where the discussion got so intense that you forgot about eating? Or the employee who insisted on doing things his or her own way? Sound familiar?

They did to business people a half-century ago, too.

All the cartoons here were originally published in *Nation's Business* 50 years ago; we think you will agree that they wear very well.



"Some flea powder, please. It's for the dog."



"Hey, waiter, two more cups of coffee and another tablecloth."



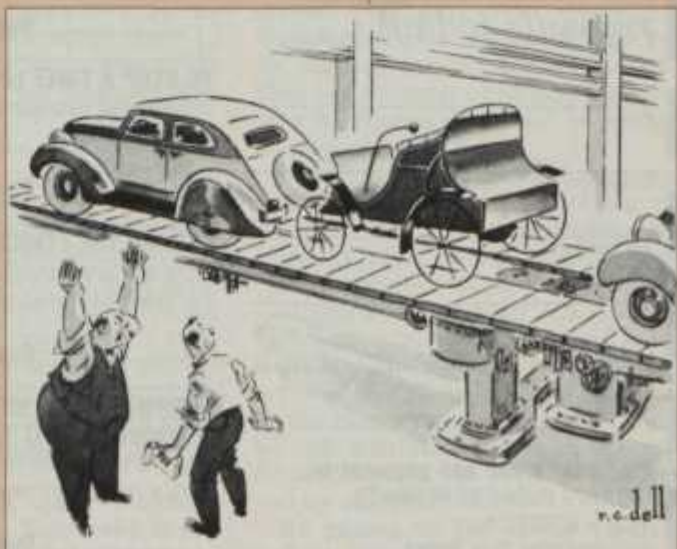
"Would you choose a Florida or California vacation—that is, if you were me?"



"Mr. Banta is in conference."



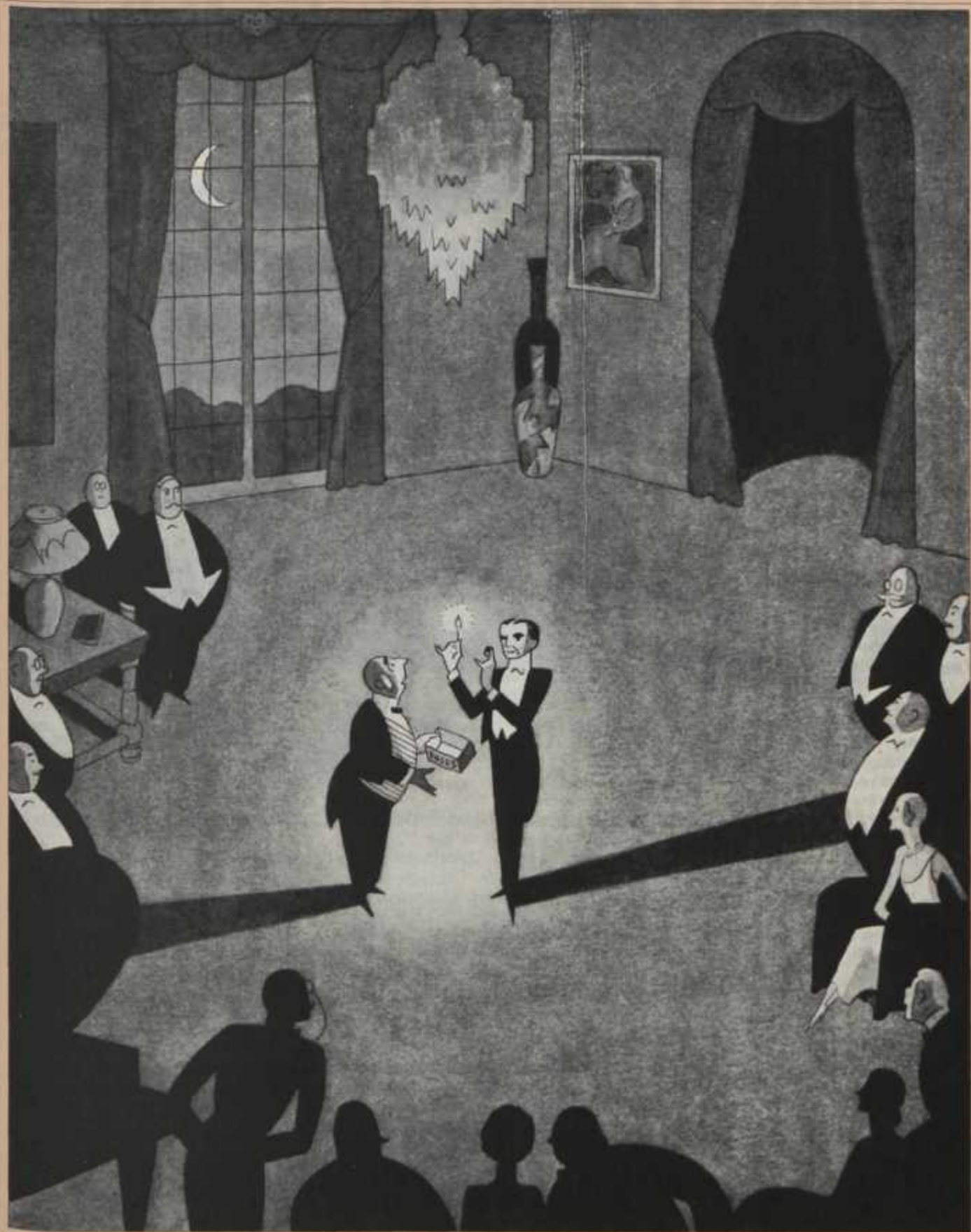
"There's a man here from United Bakers. They want to borrow a cup of sugar."



"Mr. Adair, I've told you before—you've got somebody on this line that's too old for the job!"

Embarrassing Moments In The Lives Of Great Businessmen: Close scrutiny reveals to Owen D. Young that the lights in his home have gone out

because of a blown fuse. Calling for a fresh one, the chairman of the board of General Electric is informed there's none in the house.





The American Way Today

By Walter Wingo

America's economy today is as different from what it was five years ago, when it began emerging from severe recession, as a sunny morning is from a rainy night.

Industrial production has increased about one fourth. Banks' prime interest rate has plunged nearly 400 basis points. Unemployment has tumbled from 10.7 percent of the labor force in November, 1982, to an even 6 percent. Yet, the annual rise in consumer prices has averaged less than 3.5 percent.

Such robust statistics have solidified use of the term "Reagan Revolution" to describe the administration's policy of lower tax rates and a general shrinking of big government.

Nevertheless, the national debt is over \$2 trillion and still growing. Businesses are grappling with excessive litigation, chemical and nuclear contaminations and shenanigans on Wall Street. And the Yankee trader has been unable to regain supremacy in the world marketplace; the United States has had deficits in merchandise trade every year since 1976.

Only this year has there been a rebound in manufacturing exports. A weakened dollar has made goods produced here cheaper abroad—so much so that a Japanese company, Honda, is planning to send back to Japan motorcycles it makes in Ohio. Last year imports of merchandise exceeded exports by a record \$153 billion.

Stiffer competition from abroad, coupled with increased automation at home, has led to layoffs of thousands of workers.

Pressures build for various forms of protectionism to ensure "a level playing field" in world trade. But Samuel H. Fuller, Digital Equipment Corporation vice president for research, says the best solution is for American companies to field a stronger team by modernizing plants and equipment.

Won't increased automation throw more people out of work? A joint National Academy of Science and National Academy of Engineering panel did a two-year study of the question. Conclu-

Imports like these autos are evidence of one major challenge for U.S. business—loss of markets to foreign manufacturers. Companies in industry after industry are getting

U.S. firms are meeting the challenges of rising competition and changing technologies.

this message: Harness new technology. They are installing robots, computer-aided manufacturing systems, word processors and on-line databases.



PHOTO: SEPP BRITS—WOODFIN CAMP

sion: In the face of foreign competition, swift adoption by industries of new technologies causes fewer job losses than slow adoption. What is more, it eventually provides more jobs than there were before.

"I'm happy to tell you that dire projections of declines in the U.S. work force due to technological change are exaggerated," says Carnegie-Mellon University President Richard Cyert, chairman of the panel. "Technological change is, in fact, a vital factor for continued economic growth and expanding opportunities for U.S. workers, because it adds to American productivity."

Technology's overall effect, says the panel, is to lower prices—helping to raise demand, which in turn increases output and thus employment. "Technology," Cyert adds, "is our front line of defense against foreign competition."

American companies are getting the message. They are installing robots, computer-aided manufacturing systems, word processors and on-line databases.

Such change is altering the character

of many companies. Says James D. Robinson III, chief executive officer of American Express: "All the financial analysts keep saying that we're in the financial-services business. They're wrong. American Express is in the information business—the data-processing business."

Telecommunications is booming, and it is undergoing unparalleled changes in technology, services and demand. Regulatory distinctions are vanishing among voice, video and data services and between telecommunication-equipment suppliers and firms that transmit data.

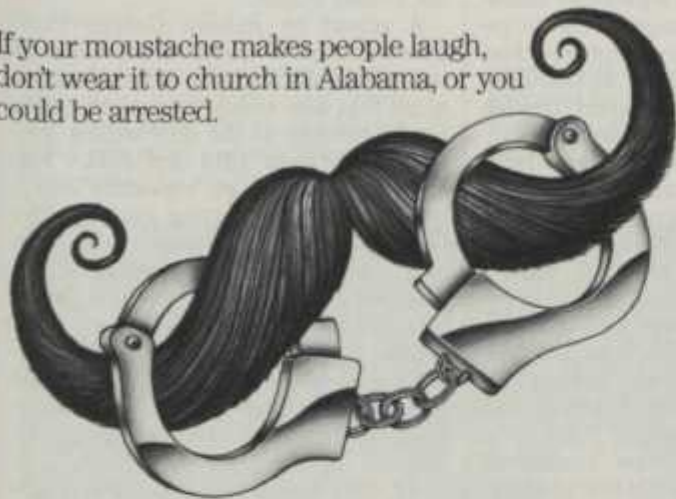
New industries are springing up. Ergonomic service companies specialize in making new tools more "user friendly." Artificial-intelligence programming firms put computers on human thinking paths.

"In the area of innovation, we're still in a leadership position," notes Marvin Cetron, president of Forecasting International, a company that makes technological assessments for corporate and institutional planners. He points to

Walter Wingo, a Washington-based free-lance author, is a former Nation's Business associate editor.

Ludicrous Laws.

If your moustache makes people laugh, don't wear it to church in Alabama, or you could be arrested.



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Believe it or not, it's against the law in California to set a mousetrap without obtaining a hunting license.*



The Outdated Laws That Regulate Banking Aren't So Funny.

It wasn't very long ago that America was the undisputed world leader in almost everything. Then, we started losing our clout. Textiles, cars, steel, and electronics began moving abroad, costing American jobs.

Hardly anybody has noticed that the same thing is happening with banking.

If you look at the names of today's top ten world banks, only one still has a U.S. address. The Japanese now dominate that list.

For years, the world's leading financial centers were located in America. Because of archaic federal banking laws--some predating World War II--Tokyo, London and other overseas centers are now taking over. Already, foreign banks are making one-fifth of the loans to U.S. businesses.

The point is, America's banks are not asking to be protected from foreign competition. They are not asking Congress to save them from the fight. They are asking for a fighting chance. Unless America's banks are permitted to fully compete and meet their customers' needs, a lot more American jobs will be squarely on the line.

*Some of these inane laws may have been changed.



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The American Way Today



American progress in developing fifth-generation computers and protein chips and to the fact that each year the United States continues to lead in the number of Nobel Prize winners.

The nation is losing ground in innovation, however. Says one expert: "We've even lost the edge in high-tech weapons."

Yet the American economy continues to grow. Jobs open up in services faster than they are wiped out at aging factories. Service jobs have increased more than 10 million since 1980. The total last year was 64.7 million—three fourths of America's nonagricultural workers. Included are not only low-paid retailing jobs, but also lucrative positions in computers, law, medicine and advertising.

More than 52 percent of total personal spending went for services last year, compared with 33 percent in 1950.

Franchised operations, accounting for over a third of retail sales, are increasingly service-oriented. From maid

service to pet care to dentistry to quick lubes—there seems to be no end to what can be franchised. The *Washington Post*, exasperated with a city ambulance service that cannot seem to respond quickly to emergencies, suggested turning it over to Domino's Pizza, which has no apparent trouble delivering in less than 30 minutes.

Much growth in services stems from large companies' efforts to keep payrolls and benefit programs lean, says Florence Skelly, chairman of Teleomatics, a research think tank specializing in telecommunications.

More and more companies are contracting for services such as accounting, personnel record-keeping, data processing and advertising, rather than providing them in house.

More than 700,000 new businesses are sprouting each year in this country. As job-trend analyst Jeffrey J. Hallett told the American Society for Personnel Administration recently, "Entrepreneurship" has replaced "management by objectives" as the watchword.

Small-business start-ups continue to be the main sources of job creation—the backbone of business expansion in the United States.

A report by Babson College Prof. Bruce Kirchoff and Bruce Phillips of the U.S. Small Business Administration notes that new smalls were responsible for 74 percent of the 50.8 million jobs created between 1976 and 1984. Filling the job openings, especially entry-level positions, is getting tougher. The bulk of the baby-boomers are moving into highly productive years—their mid- and late 30s. As they climb corporate ladders or start their own businesses, they leave empty spots that employers must fill from a much thinner group of work-age youths—the baby-busters. Senior citizens are taking up some of the slack.

An even bigger problem for management is job applicants' low levels of education.

"Public education has been a failure for the last 20 or 25 years," says Labor Secretary William E. Brock. "We've got 23 million illiterates—people who can't read at the fourth-grade level. Another 40 million are marginally illiterate; they read between the fourth- and ninth-grade levels. Yet the overwhelming majority of new jobs created in the U.S. will require postsecondary education."

Corporations are thus increasing training programs for employees.

Despite problems of education, despite massive layoffs in blue-collar jobs, despite the shift into a mostly service economy, America retains a sturdy, highly productive, heavy-spending middle class.

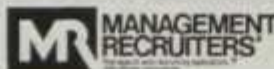
Bruce Bartlett, a fellow in economic policy studies at the Heritage Foundation, a Washington think tank, notes that the middle three fifths of Americans, ranked by income, make up 50.2 percent of the population—about the same proportion today as they did in 1947, when the government first started keeping such records.

"While the U.S. economy faces some problems, a vanishing middle class is not one of them," Bartlett says.

Middle Americans are the core customers for the nation's businesses. Foreign competitors are vigorously tapping that market. One thing in favor of U.S. companies: Competition is nothing new to them. It is expected in a market-powered, enterprise society. Over the long haul, it has brought better days for producers as well as consumers. **EB**

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Still Alive At 75

By Nancy L. Croft

Top photos: In the early days of Spangler Candy Company, candy was handmade. Today, the Bryan, Ohio, company's production line churns out 1.5 million candy canes

(among other sweets) daily. Bottom: Current leaders (from left) Theodore Spangler, honorary chairman; nephew Gregory Spangler, president;

It isn't blind luck that has kept these businesses going all these years.

Duane Fox, senior vice president of manufacturing; and Doug Taylor, senior vice president of sales and marketing.



PHOTO: SPANGLER CANDY COMPANY



PHOTO: RICHARD DERE—PICTURE GROUP

When he was a boy, Gregory Spangler lived every child's dream: His family, as it had been since 1912, was in the candy-making business.

On weekends in the late 1940s and early '50s, Gregory had free rein of the Bryan, Ohio, factory. There he would chew all the bubble gum he could stuff in his mouth, collect baseball cards (his favorites showed Cleveland Indians) and, when no one was looking, slurp liquid chocolate from huge mixing vats through his peashooter.

Today he still enjoys days at the factory—he is president and chief executive officer of Spangler Candy Company. But his mind is on profits instead of how much chocolate he can sip on the sly. His job is to nurture a business that has survived the Great Depression, recessions, labor crises and three generations of Spangler children reaching for its Dum Dum lollipops.

Unlike Spangler Candy Company, Arthur Murray Dance Studios is no longer in the family.

But from Hawaii, where 92-year-old Arthur Murray lives in retirement, he



PHOTO: RICHARD DERE—PICTURE GROUP

proudly watches what has become an international franchise. He knows that his leadership and innovative marketing strategies laid a foundation that has carried the business through 75 years.

Though Murray retired in 1964, his name is recognized worldwide. Millions of dancers have enjoyed his method of learning by following footprints on the floor, and franchisee after franchisee

has followed Arthur Murray's footsteps in the ballroom-dance-instruction business.

When retailer Robert Bridge passes a hosiery counter, he sometimes thinks of a day when a simple pair of nylon stockings opened a hard-to-budge door to profits for his firm, Ben Bridge Jeweler. The Seattle-based company, begun in 1912 by his grandfather Sam Silverman, a Polish-born watchmaker, mainly



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L. Montalvo

Still Alive At 75



sold watches. It hit a crisis during World War II.

The War Department had commandeered watch factories to make timing devices for bombs.

Robert Bridge's father, Ben, then the company's owner, was desperate for watchworks. They were available to civilians only from Swiss suppliers, who were swamped with orders.

While Bridge searched for watchworks, women were searching for nylon stockings, scarce because nylon was needed for parachutes among other things. Bridge obtained stockings from a friend who dealt in nylon. A gift to a key secretary got him an appointment with a besieged watchworks importer.

Today Ben Bridge Jeweler has 27 locations in three Western states.

Nation's Business has talked with a number of people like Spangler, Murray and Bridge who are watching their 75-year-old firms aim for the century mark. What is the secret of business longevity when so many enterprises vanish every year?

Common traits appear over and over again. Here, from experience, is advice on how today's young companies can grow old healthily:

1. Don't cling to inappropriate management styles. When Spangler Candy Company began in 1912, five men, often including the three owners, spent their days cracking coconuts with hatchets. Twenty-five other employees, paid 10 cents an hour, made candy in washtubs. Rodent control was a tomcat. The boardroom was a street corner on the owners' way home.

"Mom used to send me to the corner to see if Dad was there, because lunch was getting cold," recalls Gregory's uncle Theodore, a second-generation Spangler who recently retired as chairman. He and four other second-generation Spanglers took over the company in the early 1950s. It had 150 employees then, but the new managers called the shots much the way their fathers had.

Though they did not make expansion decisions on street corners, the five executives shared one office. There, looking over each others' shoulders, all could be well up on every major operational detail.

During Spangler Candy Company's youth, executive positions were reserved for family members. The founders were mainly interested in having a workplace for productive family members—profits were almost incidental. When Duane Fox, now senior vice

WHERE WE ARE

Dance teacher supreme Arthur Murray, who lives in a Hawaiian penthouse, celebrated his 92nd birthday April 5. The business he

guided until 1964 still follows his strategies. Inset: Murray dances the "Hesitation Waltz" with movie star Anita Stewart.



PHOTO: WIDE WORLD PHOTOS

president of manufacturing, joined Spangler Candy in 1958 as a mechanic, he felt the strain of transition.

With more than 200 employees and sales close to \$4 million, some company customs clearly would have to die.

"It was a real crisis time of moving from the family's traditional way of doing business to a more professional way of management," says Fox, who was made a manager in 1973. "Some family members felt the business should be there for the family." Others wanted to bring in "more professional business people to help perpetuate the company."

When Gregory Spangler took over as president in 1977, Spangler Candy was nearing \$20 million in sales, and as far as he was concerned the outside-managers issue no longer existed.

"Our business has to be more sophisticated to compete," he says. "Today it takes more specialization and training for someone to come into our company at a high level. There aren't many Spanglers with that kind of specialization, so we're bringing in more outside people."

Gregory, one of four members of his Spangler generation at the company, wants to keep the business in the family. But Spanglers of the next generation will have to earn their wings. Gregory encourages them to gain outside experience before joining the firm.

2. Good things can come in small packages. Staunton Steam Laundry, in the small town of Staunton, Va., has been doing washing and ironing for its Shen-

andoah Valley neighbors since it was founded by Robert Beam, Sr., in 1912.

But horse-drawn carriages no longer cart the laundry; the company has 20 trucks that drive up and down the valley. And Staunton Steam Laundry, which had sales of \$2.3 million last year, has diversified into dry cleaning, fur storage, diaper service, linen supply and uniform rental.

Vice President Tom Beam and his sister Lee Beam are being groomed to take over top management responsibility from their father, President Robert Beam, Jr. They clearly abide by their father's philosophical precepts:

"Dad has always preached to us that it's not the big customers who make you grow, it's all the little customers," says Tom. "When a salesman loses a big customer, we tell him to fill in with several small companies instead of trying to go for one big one. It's nice to get really big orders every three months or so from big customers, but we say that we'll help them out after we've serviced our regular [smaller] customers."

Arthur Murray also built his empire on individuals. He taught his managers—and, after he began franchising in 1938, his franchisees—to give each student undivided attention. His dance lessons have boosted many a morale.

During the Great Depression, Murray studios helped people get their minds off their troubles. The depression was not all bad for the dance-studio business "because people out of work had lots of time, so they decided to take dancing lessons," says Murray. "They were all expecting that in another

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WHERE WE ARE

Still Alive At 75



er week or two, they'd be back at their jobs." Murray understood their need to take their minds off their troubles.

"I came from a very poor family," he says. As a boy he used to crash wedding receptions because "they always had cakes or cookies or something else to eat." At these receptions, young Murray tested the lightness of his feet. "I'd watch the other people dance, and I'd get up and dance, too. That's the way I learned."

Says Murray's wife, Kathryn, 80: "We did get very fine teachers because of the depression. Young men fresh out of Harvard and Yale couldn't get jobs anywhere, so they'd sign up."

3. Don't be averse to diversity. The wartime scarcity of watches prompted Ben Bridge Jeweler to anticipate demand and stock a supply of some other items. For example, dresser sets—jewelry boxes, combs, mirrors, perfume and powder jars—turned out to be big sellers among military men, who would send them to their girlfriends.

One day in 1955, their father abruptly turned over Ben Bridge Jeweler to Herb (left, foreground) and Robert Bridge. "If you work properly with your kids, that kind of thing can be

done," says Herb, adding that he and his brother have similar confidence in his brother's son Ed (left, background) and his son, Jonathan.



PHOTO: DOUG WILSON—BLACK STAR

At what was then the company's only store, "before Christmas one year every bit of space was taken up, including the small bathroom," says Robert Bridge. "If you were too fat, you couldn't get into it."

Manufacturers during World War II often turned to unfamiliar products in order to stay afloat. With candy ingre-

dients hard to come by, Spangler Candy sold everything from paints to shoe-laces. At the war's end in 1945, the factory was producing more than 300 items, only a few of them candies.

The Spanglers were also willing to try something new under vastly different circumstances. In 1958 they capitalized on the new American love affair with space exploration by printing the word "Sputnik" on lollipop wrappers. The candy bore a slogan: "Out of this world but available here on earth."

When the health and fitness craze started heating up in the 1970s, Spangler Candy introduced sugar-free candies.

A company may miss out "if it says, 'Here's what we can make, so this is what we'll sell,'" Gregory Spangler says. "It has to find out the consumer's real wants and provide products to fill those wants."

Technology, of course, can make quick adjustments necessary. The introduction of wash-and-wear fabric during the 1960s reduced the need for Staunton Steam Laundry's washing service. "We saw our retail laundry business constantly going down," says President Robert Beam. "So we diversified into linen and uniform rental."

4. Hang in there. During the Great Depression, when people had little disposable income for jewelry, Ben Bridge's banker "told him he should declare bankruptcy because he was really broke," says son Robert Bridge. "One of his close supplier friends told Dad to make a settlement on his accounts with all his suppliers so he could survive."

But Bridge refused to give up. "I remember Dad would sometimes come home and say, 'Well, we're eating another watch tonight,' which meant that money he should have been putting into

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Still Alive At 75



the store to buy merchandise he was having to use to live on."

While other businesses were going bankrupt, Bridge borrowed from relatives and did innovative things to attract and keep customers. For example, he extended credit to single women—something unheard of in those days.

Few customers who were allowed to buy on credit reneged. Bridge was able to slog through the depression and pay all his debts in full.

Richard Taylor, president of Memphis-based DeSoto Hardwood Flooring, which his father founded 75 years ago, saw demand for his company's principal product shrivel but also hung in there.

Taylor once thought there would always be a secure market for his floors because of requirements in federally guaranteed home mortgages that building materials had to last the life of a mortgage. But in 1966 the requirement was eased: Carpets could be used as an alternative to hardwood floors.

Hardwood-floor manufacturers paid the price. "Our industry began having financial difficulty after that, and over the following 5 to 10 years, 80 percent of the industry's production units had to close down."

Fortunately, Taylor was able to step up production of furniture parts, which his company also made, to keep it afloat. And though he pared down floor manufacturing to a minimum, he did not give up on the line entirely.

Furniture parts carried DeSoto Hardwood through two recessions, and, starting in 1982, hardwood floors became "very popular again," Taylor says. "We've gone all-out to broaden our flooring line."

Does he think there will be a repeat slump? "No, the buying public has come to appreciate fine hardwood floors. And with the popularity of foreign rugs, people like a nice hardwood floor to show them off."

5. You can't take it with you. Thirty-two years ago, noted management consultant Peter Drucker wrote an article for *Nation's Business* in which he emphasized that federal and state estate taxes, which sometimes were so substantial that they could be paid only through liquidation of a company, were a "disease" frequently responsible for the death of small and medium-sized firms. Another such disease, he said,

WHERE WE ARE

The Beam family has run Staunton Steam Laundry in Staunton, Va., since it started out in 1912. From left: Lee Beam, treasurer; her brother

Tom, vice president; mother Betty, secretary; father Robert, Jr., president and son of the founder; and sister Rebecca, who is still in college.



PHOTO: T. MICHAEL KEZA

was "lack of managers to succeed the founder."

Ben Bridge was aware of both diseases.

He sold shares of his business for promissory notes from his sons Robert and Herb when each reached age 18—just old enough, he thought, to take over in an emergency such as his unexpected death.

Herb got his shares when he was overseas in service during World War II. Robert got his six years later.

Bridge wanted to avoid the legal tangles involved when a business owner dies as well as to spare his sons the need to come up with estate taxes at what might be an inopportune time.

As it turned out, his sons succeeded him unexpectedly in 1955, but not because of death. Ben Bridge walked out of his business without warning one day at age 58, determined to enjoy his

remaining years (there were 19 of them).

The paperwork was already taken care of.

Though sons Herb and Robert were flabbergasted, Ben Bridge had enough faith in their training to leave them entirely in charge.

"If you work properly with your kids, that kind of thing can be done," says Herb, chairman. "Bob and I have that same confidence in our sons, Ed and Jonathan, who are vice presidents."

Says Robert Bridge: "People have been the key ingredient to keeping our business going for 75 years."

To keep the business going for 75 more, he says, "you have to attract and hold on to people who are as dedicated to the company's growth as you are. Keep a very strong family feeling in the business, and nurture it as you would a child." ■



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What's Ahead For Tomorrow

By Walter Wingo

Readers of *Nation's Business* will be kept abreast of dazzling changes in science, commerce and industry over the next two decades or so.

We talked with business executives, government officials and futurists—people who study the direction of current trends—to get a sampling of what lies ahead. All agree with Michael Marien, editor of the World Future Society's journal, *Future Survey*: America is spearheading a "high-tech multirevolution."

Futurists foresee an explosion of advances:

Space stations will serve as gateways for further exploration of the solar system. A manned scientific station will be established on the moon. Preparations will begin for a manned mission to Mars.

The X-30 experimental airplane will fly in the early 1990s. It may set the shape of wings to come, including a hypersonic transport that could hop from New York to Tokyo in 145 minutes.

Cars, highly computerized, will be built to last nearly a quarter-century. Some will be solar powered.

Electromagnetic inductive-coupling systems buried just under surfaces of main streets will power buses. As buses cruise along, they will charge on-board storage batteries so they can travel on nonpowered streets, too.

Macroengineering projects will be launched. In the interest of scientific research into subatomic particles, a racetrack-shaped, 52-mile-long "superconducting supercollider" will be built. Its length will help make it 20 times more potent than any existing nuclear-particle accelerator.

Scientists will devise new ultralight, ultrastrong materials. Huge potential is seen for superconductors—substances that conduct electricity without resistance.

Developments in superconductivity promise supercomputers the size of three-pound coffee cans, 50 percent smaller and lighter electric motors, facilities that can store electricity without heat loss, analyzers that can track faint interactions of brain cells and trains that float on magnetic cushions.

The prospect of rapid development of

World Future Society President Edward S. Cornish believes manufacturing will thrive in certain fields in this country, if not in others.

Predictions are risky, but you must think about a future to have one. Here, we think about one.

He singles out need for antipollution equipment and for personal and business security.



PHOTO: RHODA BAER

power sources that include nuclear fusion and solar electricity raises expectations that energy shortages will not be a heavy concern.

Most futurists think that even if the world economy grows faster than expected, traditional fossil fuels alone—oil, coal and gas—will be adequate for at least 20 years, by which time newly developed sources of energy will be available to fill any void. More Middle East oil cutoffs would be disruptive, they say, but not crippling.

Weather will be modified—hurricanes defused, cloud covers generated over scorched cities, rain brought to deserts.

Geneticists will come up with amazing ways to reshape life forms—creating tastier foods and harder timbers and wiping out some of mankind's physical afflictions.

How will the American economy fare during this period of spectacular change? Roy C. Amara, president of the Institute for the Future, Menlo Park, Calif., sees total output of goods and services, adjusted for higher prices, growing at an annual average of 2 to 3

percent. That means a doubling of real gross national product in the next 25 years—up to 8 trillion in 1986 dollars.

As for inflation, most analysts see consumer prices rising an average of 4 to 5 percent annually over the next 15 years—well below the average of the past 15.

Trade with other nations will account for a growing portion of the American economy. Prosperity will spread rapidly throughout the world, futurists predict. African nations will begin to cash in on their low-cost labor and vast resources. After acquiring Hong Kong, China will become an economic superpower.

Multinationals will become even larger, some say, so that early in the next century only three or four automobile companies will be left in the world—giants with production centered in Italy, Korea and Latin America.

As capital and technological know-how spread, productivity levels in all countries will tend to converge, predicts William J. Baumol, a Princeton University economist. American businesses will spend hundreds of billions on automation that will help them stay

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in the competition. Robots will aid in performing everything from shipbuilding to heart surgery.

Automation and other changes in the work world are expected to rub out 50 million U.S. factory, office and retail jobs in two decades. But even more jobs will be opening up in expanding fields such as services and electronics.

Labor Secretary William E. Brock says that, by the turn of the century, 80 percent of entrants to the work force will be women, minority members or immigrants.

Women will comprise 50 percent of the work force then, up from 43 percent in 1980, and minorities will increase to 15 percent from 10 percent, he says.

Fewer native-born Americans are coming up behind the bulge of aging baby-boomers because of low U.S. birthrates for most of the past two decades. Eventually this country will have to lower immigration restrictions to build up the labor pool, some experts maintain.

But immigration will scarcely make a dent in birthrate problems besetting much of a world in which there now are 150 births a minute and population has passed 5 billion. (It is expected to reach 6 billion by the turn of the century and could reach 10 billion 30 years later.)

The American consumer market will become both broader and richer. The population, now about 244 million, will reach 280 million 20 years from now. A much larger portion will be in peak earning years.

Institute for the Future President Amara predicts median household income a quarter-century from now will be above \$40,000 in terms of today's dollar—a rise of \$12,000. But the workers won't get paychecks; electronic banking will have taken over bookkeeping at almost every level of commerce.

What will a typical retailing operation be like 10 years from now? Here is what William B. Johnston, president of Hudson Analytical Services, envisions:

A manufacturer of, say, video recorders will buy advertising time on cable television in a different city every day. Families in that city will phone in toll-free orders, paying by credit card.

Orders will go straight to the factory, which will run around the clock. As video recorders roll off the assembly line they will be boxed, automatically labeled and loaded into United Parcel Service trucks for delivery in the target city the next day.

WHERE WE'RE HEADED

Engineers at the General Motors Technical Center in Warren, Mich., use a developing technology that will be crucial to auto quality, as well as to speed of models' introduction, in

years ahead. Computer-aided design permits much experimentation at minimal cost, showing effects that paper drawings would never reveal.



PHOTO: ANDREW SACKS—BLACK STAR

"No warehouse or shopping mall ever sees the goods," Johnston says. "No shelves are stocked, no cash register ever rings, and insurance and financing have been required for only 48 hours."

Pressures of world commerce inevitably will improve the political atmosphere for American business, many futurists feel. They see Washington loosening antitrust laws and finally adopting true frugality in government spending.

George Gilder, author of *Wealth and Poverty*, that manifesto of supply-side economics, maintains that such an atmosphere will encourage more foreign firms to locate in this country. "Companies will tend to gyrate toward the spots where taxes are lowest and regulations least oppressive," he says.

Expect a renaissance in American manufacturing, says Clark C. Abt, chairman of Abt Associates, Inc., a Cambridge, Mass., research and management consulting firm. He thinks this country will stay in the lead in biochemicals, aerospace, computing and communications and win back the lead in many consumer products with high-tech content, such as medical appliances.

The defense industry is likely to boom for decades if a strong Strategic Defense Initiative plan is adopted.

Edward S. Cornish, president of the World Future Society, agrees that American manufacturing is far from dead—at least for industries that have become more automated with robotics and are more flexible in their products.

Specialty manufacturing, especially, will grow. Cheaper, computer-aided design and manufacturing will allow smaller, more versatile factories.

Cornish thinks the fastest growing industries will deal with purification of air and water—an area expected to see more regulation—and personal and business security.

Other industries seen as growth leaders are health care, telecommunications, computer systems, factory automation and leisure and hospitality.

"By the year 2000," says Marvin Cetron, president of Forecasting International, "only 9.7 percent of American workers will be directly involved in manufacturing [as against 18 percent now], although productivity in our factories will have increased 500 percent."

Communications will undergo tremendous changes. Computers and other devices will be driven by and respond in voices. Marketing surveys indicate 60 percent of U.S. homes will have computers by 1995, as against 18 percent now.

Agricultural productivity will continue gaining around the world. That, says one futurist, will speed the decline in the number of American farmers. Anticipatory Sciences President Earl Joseph expects the United States, despite its bountiful agricultural resources and productivity, will actually be importing more farm goods in a quarter-century than it will export. Some futurists say mariculture—ocean farming—may in time produce more food in America than agriculture.

Fastest growth in services is expect-

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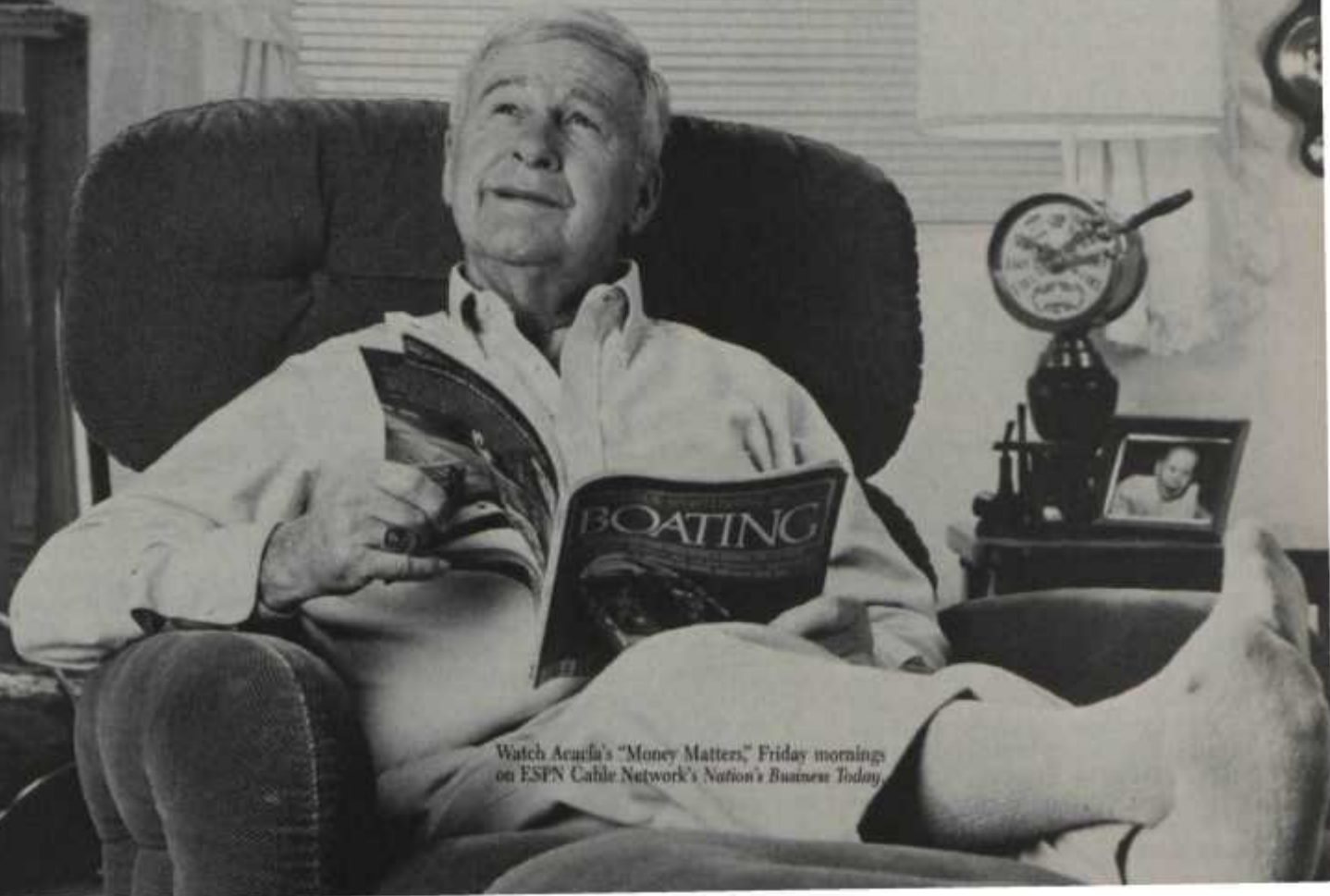
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ed to be in the information sector, broadly defined. According to Forecasting International's Cetron, "88 percent of Americans will be in service industries by the year 2000, and 44 percent of those people will be working in the information industry."

Medical services will climb from 10 percent of the gross national product to 15 percent in 13 years, says futurist Abt. The growth would be even sharper, were it not that the under-25 and over-65 age groups, which have the heaviest needs for medical attention, will dip as a proportion of total population.

One result will be a surplus of physicians in the 1990s. Doctors will pay more attention to patients' time, predicts Kathleen M. Griffin, executive vice president of the College of American Health Care Administrators. They will extend office hours to evenings and weekends.

But they won't go back to the home visit that was abandoned decades ago. Instead, families will receive much medical advice through home communications centers. The so-called expert system—in which specialty knowledge is packed into a computer program—will find many applications in medicine. Home computers will have phone and video connections with medical expert systems as well as with live physicians.

Education is expected to be a boom industry. Millions of workers displaced by advancing technology will seek retraining. Others will continually update their knowledge to avoid becoming obsolete.

Small businesses will keep on abounding. Vastly improved methods of information processing will reduce paperwork and overhead and bring down costs of market entry.

Entrepreneurship will grow, especially among those who feel "mid-career compaction." Ambitious baby-boomers, squeezed out of narrowing promotional pyramids at large companies, will start their own businesses. David Pearce Snyder, consulting futurist specializing in American industries, predicts that by 1995, 40 to 50 people *won't* get promoted for every one that is. The current figure is 20.

"We're going to see a lot more young people entering entrepreneurial ventures," predicts Frederic V. Malek, president of Marriott Corporation's hotel division. "It will be a major challenge to bigger companies."

Companies are vying for National Aeronautics and Space Administration contracts on a \$17 billion space station (shown here in a McDonnell Douglas artist's

rendering). The manned facility will be used for research on gravity and as a stepping-stone to further space exploration. It is to be ready in the mid-'90s.



PHOTO: NASA

Some futurists think companies large and small will set up more operations in rural areas to cut down land, tax and labor costs.

Many firms will operate from "intelligent" buildings that are designed so office space can easily be changed along with technology and that come equipped with robots and "electronic plumbing" linking local-area computer networks on each floor.

Competition to attract and keep quality personnel will intensify. Comments consultant Snyder: "All employers will increasingly have to offer their employees innovative working arrangements—such as parental leave, work-site child care, part-time work, educational sabbaticals, flex time and flex place."

Not all agree that flex place—work permitted at home—will catch on. "The cultural value of the office, the opportunity to meet and work with other people in a diverse environment, will remain strong," says Abt Associates' Abt. Rather, he sees people working much more out of cars outfitted with computers that recognize speech and can talk back.

The 9 to 5 may go the way of the 5 and 10. Forecasting International's Cetron expects that, thanks to automation, a 20-hour week could be common by the turn of the century.

There will be more second careers. At about age 50, futurists say, people will retire from a first vocation, which will have provided subsistence for their "retirement." Lengthened expectancies of life and good health will permit them

then to work until about age 75 at a second calling, which may not maximize income but will be satisfying. Today a man of 50 has a life expectancy of more than 26 years and a woman of the same age, almost 32. The expectancies are projected to be above 30 for the man and nearly 37 for the woman in another quarter-century.

What type of business executive will such an employment environment call for?

Among qualities most often mentioned: ability to think strategically, a keen global perspective and comfort with technology.

Also mentioned is ability to adapt to new managerial styles. Many think the hierarchical "wedding cake" corporate structure will give way to participatory management in which employees up and down the line become involved in decisions.

Anticipatory Sciences' Joseph sees the development of "multicriteria decision making"—or management by design.

This will make use of advances in computerized artificial intelligence to assess a profusion of business data from such sophisticated sources as satellite surveillance systems that can keep track of every vehicle belonging to a company—any place on earth.

Futurists are well aware that many past projections fell far off the mark, but they say their techniques have improved. And they quote British author John Galsworthy: "If you do not think about the future, you cannot have one." ■



Just Around The Corner

We cannot predict what will be invented. But here are some technologies, already known, that are poised for exploitation. Today they are new. Tomorrow they may be commonplace.

Store in a box. Shoppers in Florsheim shoe stores can browse through the inventory by touching a television screen. Florsheim is installing interactive video kiosks made by ByVideo, Inc., to create instant shelf space.

Florsheim makes shoes in 17,000 combinations of style, size and width. Marketing Vice President Harry Bock says it needed a "good way of getting a total selection to our consumers."

In the video kiosk, all styles are available in all sizes. A customer can order electronically, take delivery by parcel service and return the shoes if he is not satisfied.

Other interactive systems—that is, systems that respond to users' commands—offer beauty advice. Clairol customers, for example, can see their faces on a still-video screen and watch their hair colors change electronically.

Only about 30,000 interactive systems are in use today, but a study forecasts 200,000 will be in stores by 1990.

Library on a disk. The British Broadcasting Corporation has compiled an interactive video census of Britain. It contains 75,000 photographs, 25,000 maps, 20 million statistics, even film of recent news events—all accessible through a personal computer and stored on two laser disks the size of record albums.

In a demonstration, Project Director Rob Armstrong called up a color map of the United Kingdom, then zoomed in to the city of Bristol. A street map appeared, followed by line drawings of neighborhoods with their houses and shops. For more information, a researcher could refer to census data or photos of local landmarks.

Armstrong says the system holds the equivalent of a 300-volume encyclopedia. It is known as the Domesday Project, because the task was undertaken

Want to go blonde? Clairol's Color Vision System will allow you to view the new you on a monitor before you actually make the change.



PHOTO: TED HORNOWITZ

to commemorate the 900th anniversary of William the Conqueror's Domesday Book, the first census of England.

Road map on the dashboard. Etak, Inc., is selling an onboard navigation system for cars—in effect, a road map that never has to be folded or unfolded.

A driver follows his progress by checking a computer screen on the dash. A compass, a digitized map and speed sensors on the wheels direct him to his destination.

GM's Delco Electronics division has bought marketing rights to the system. Program Manager John Moretti says it might be offered on GM cars in the 1990s.

Computer in the telephone. Pacific Bell has test-marketed a proprietary system enabling a single home telephone line to transmit and receive up to seven channels of voice and data simultaneously. While you talked on the phone, the power company could read your meter by remote control, a security service could monitor your home for intruders, and you could look over stock quotations on your PC.

The key to the system is literally a black box—a remote multiplexer, which turns an ordinary phone into a home information center.

TV on the wall. A future home-entertainment center may include a floor-to-ceiling monitor, shining with a larger-than-life-sized picture much sharper and clearer than what we now see.

High Definition Television has been demonstrated by the Japanese TV network. The standard U.S. television pic-

ture consists of 525 lines of video. HDTV carries 1,125 lines.

The difference, says Ben Crutchfield, a top engineer at the National Association of Broadcasters, is like "the difference between a newspaper photograph and one in *National Geographic*."

There is only one problem: To transmit HD, every TV station would need all new equipment. To see HD, every viewer would need a new set. Research is under way toward developing an HD system that is compatible with standard TV.

Decaf in a bean. Not all exciting new technologies are electronic. Botanists are growing what they call "value-added plants," fruits and vegetables bred for their marketable traits: crunchier carrots, celery with no tough strings to get caught between your teeth, tomatoes packing more nutrition.

These are products of DNA Plant Technology, Inc., of Cinnaminson, N.J. Cofounder William R. Sharp, a former Campbell Soup scientist, says he relies on tissue culture—an advanced method of cross-breeding that reduces trial and error and brings hybrids to market faster.

Other researchers hope to reproduce only the edible part of the plant: Instead of growing an orange tree, they would grow just the sacs that make juice—real OJ in a test tube.

If some of these notions seem far-fetched, remember Mark Twain's reply to naysayers:

"A man with a new idea is a crank—until the idea succeeds." ■

Warren Corbett, author of this article, reports on technology for the U.S. Chamber of Commerce television program "Nation's Business Today," weekday mornings on ESPN.



A Land With "No Limits"

President Reagan looks proudly at America's present—and confidently at its future.

Ronald Wilson Reagan has particularly knowledgeable perceptions of the 75 years in which *Nation's Business* has been published.

He has lived through all those years—he was born 18 months and 27 days before our first publication date—and he has special insights that only a President of the United States could have.

In addition, he has knowledge acquired as a liberal-Democrat-turned-conservative-Republican, a radio sportscaster, a Hollywood star, a labor leader (the Screen Actors Guild) and a two-term governor of California.

"I'm proud to be part of your anniversary issue," the President said when *Nation's Business* asked for an interview covering past, present and future. Here are the results:

What do you consider the most significant changes for the better in America over your lifetime?

America is a better country now because economic opportunity has made the American dream into a reality for most of our people. Women have vastly increased opportunities today, and so do members of minority groups.

When I was in college, two black members of our football team were denied a hotel room because of their race, so I took them home, and we spent the night with my parents. The country has made tremendous progress since then.

Is this a good time to start or expand a business?

Yes, it is an excellent time, and that is why we are setting records for new business incorporations—over 700,000 last year.

Conditions are good for business development because over the past 6½ years the American people insisted on lower taxes, an end to unnecessary regulations and a reduction in the rate of increase in government spending.

Should business people run for public office? What advice do you have for those who do?

You're asking a fellow who went into politics after serving six terms as president of a labor union. Before that, though, I was in business for myself—

Hailing the economy, the Chief Executive says this is an "excellent" time to start a business or expand one.



PHOTO: PETE SOUZA—THE WHITE HOUSE

the canoe business. I used to rent out my canoe for 35 cents an hour when I was a lifeguard on the Rock River in Dixon, Ill.

Government needs the qualities of common sense and commitment that make men and women successful in business. Those who demonstrate these qualities should run for office, and they should draw on their experience in the private sector to make them more effective as communicators and candidates.

In a few months, you will begin your presidency's final year. Can you tell us now what you think are the most significant contributions you have made?

Let's not turn the calendar too quickly. I still have 18 months in the White House. [The interview was in July.]

But it's certainly significant that we have improved the military readiness of our nation and restored pride in the United States uniform. In large measure, that is why the Soviets returned to the negotiating table and began to talk seriously about reducing the number of nuclear weapons.

During my administration, not one inch of territory has been lost to the Communists and Grenada was set free.

Once we got the federal government out of their way, the American people launched an economic expansion that is in its 56th month and still setting records. The people created more than 13 million jobs, 60 percent of which are in managerial, professional, technical or other high-paying occupations. Unemployment is the lowest since December, 1979. The percentage of our working-age population at work is near record levels. We are going into our fifth consecutive year of inflation below 5 percent. Adjusted for inflation, disposable personal income has reached new highs over the past four years. And when the stock market broke through the 2500 level, it was almost three times its level of September, 1981.

I recall a time when I paid Uncle Sam 90 cents out of every additional dollar I earned. When I came into office, the top tax rate was 70 percent. Under the tax-reform act that passed Congress last year, the top rate for individuals will be only 28 percent. For most people, the rate will be only 15 percent, and millions of Americans will be erased from the federal income-tax rolls entirely.

Are there things that, in hindsight, I might have done differently? I would have demanded more spending cuts—especially in 1981 and 1982.

How would you describe the legacy you will leave to your successor?

On July 3, I announced a 10-point Economic Bill of Rights that would provide the kind of protection for our economic freedoms that the Bill of Rights provides for our political liberty.

I want to protect the freedom to work and the freedom to enjoy the fruits of one's labor. That means keeping more of what we earn and protecting our people from the burdens of excessive government borrowing, spending and taxing. I want to make certain our people have the freedom to own and control their property and the freedom to participate in free markets and not be hindered by job-destroying protectionist legislation.

Also, I believe the American people will be best served by a constitutional

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amendment that requires a balanced budget. And we need a line-item veto for the President—the tool that will permit him to cut the fat and keep the meat of legislation that comes to his desk.

What will the next 25 years bring in terms of social and economic change in America?

There are no limits to what Americans can achieve.

Less than a year ago, we heard about the breakthrough in superconductivity—the transmission of electricity without resistance. To move this research from the laboratory to the marketplace, the scientific community must work with business and government. The role of government is important, especially at the basic research level.

One key means of supporting basic research is the National Science Foundation, and we have proposed to double its budget over the next five years.

The future depends on what is done now and in the next few years.

Americans need protection in their retirement years from financial devastation brought on by catastrophic illness requiring prolonged hospitalization and medical care; earlier this year, I proposed legislation that would provide catastrophic health insurance for our elderly. Our welfare system is in urgent need of reform. And we must continue to pursue educational reform at the grass-roots level.

We must move ahead with research on the Strategic Defense Initiative. And to maintain the economic expansion that began in 1982, we must bring federal spending under control and make certain we do not destroy the initiative of our people with excessive taxation.

What will the next 25 years bring in terms of social and economic change abroad? How will American business fare in international competition?

Since November, 1982, the United States has created more jobs than Europe and Japan combined. European leaders tell me they call this "the American miracle." Leaders of these nations want to foster economic growth and create new jobs, so I believe they will emphasize lower taxes, less government and greater privatization, and their countries should prosper with that formula. We've already seen evidence of that in Britain.

America's future in international competition depends, in part, on what Congress does now. Some believe pro-

tectionist legislation is the key to keeping American jobs. They apparently have forgotten the lesson of the 1930s, when high tariffs brought trade barriers between us and our trading partners.

I have submitted a package that would make the United States more competitive. Reform of our antiquated antitrust laws, patent protections and the like would allow U.S. companies to better respond to foreign competition.

If we insist on fair trade and free trade, American businesses will do well in the international marketplace. I believe that if given a fair chance, the American worker can outproduce and outcompete anyone, anywhere.

Do you agree with commentators who say this country no longer provides the opportunities for success to young people that it once did?

This country has always provided opportunity to its young people. That was true when I graduated from college during the depression, in 1932. It is all the more certain now.

There have always been preachers of gloom and doom. Thomas Macaulay, the 19th-century British essayist, wrote: "On what principle is it that, when we see nothing but improvement behind us, we are expected to see nothing but deterioration before us?"

I can't answer Macaulay's question, but I can tell you this: America is the greatest success story the world has ever known. I believe this is a land of endless opportunity, put here between two oceans to draw dreamers from every corner of the globe.

In the history of our country, our people have known there is no limit to what faith and hard work can achieve in the midst of freedom.

During the past several years, all of us have benefited from a rebirth of the entrepreneurial spirit in our young people. In 1985 the average age of the top 100 young entrepreneurs was only 26, and those businesses generated an average of \$40 million in revenue.

Those commentators ought to talk with [blind musician] Ray Charles. Ray would tell them about the opportunities this country holds. And he would remind them that there are people in this world who would give up their very lives trying to get here.

As Ray puts it, people are not willing to do that to reach any other place in the world. In this blessed land, success is the reward that freedom and opportunity offer all Americans. **MB**

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PHOTO: BIRGE BRIMBERG—WOODFIN CAMP

Danes and Americans have been doing business together for more than 200 years. The flow of goods, people and ideas has benefited both nations.

It must have been the scoop of the century: *Berlingske Tidende*, the Copenhagen newspaper that was founded in 1747 and claims to be the oldest existing newspaper in Europe, published the news of the Declaration of Independence in America about six weeks before it reached the rest of Europe. It wasn't long before the Chamber of Commerce in Denmark was in action.

"Our first correspondence with the United States is dated 1776," says the Chamber's current president, Claus Olsen. Only wars have interrupted the steady Danish-American trading relationship ever since. But in 1912, when the U.S. Chamber of Commerce was founded, trade was fairly slight. "We were still an agricultural country at that time, and agriculture continued to dominate right up to the 1950s," says Ove Munk, chief executive of the Federation of Danish Industries.

But if trade was slight, there was a fruitful mutual inspiration. About 350,000 Danes emigrated to the States in the final two decades of the 19th century and helped to build the new nation. In the other direction, American ingenuity was soon inspiring the Danes. One of the Danes who went to America was Thomas B. Thrige, who worked with Thomas Edison and then returned home to set up the country's first electric-motor factory, known today as Thrige-Titan.

Claus Olsen's grandfather was another apostle of American business. In 1903, he set up an agency for the Parker Pen Company. His grandson still runs it.

Only a handful of today's Danish corporations had seen the light of day in 1912. One of them was the East Asiatic Company. "Our first contacts with the United States came in the early years of the century when a daughter company, the Russian East Asiatic Company began transporting emigrants from Russia to the United States," says Henning Sparse, EAC's chief executive. "The ships were about 6,000 tons and carried 1,400 passengers and 65,000 tons of cargo to the United States."

Today EAC operates a line shipping from the West Coast of the United States to the Far East. It is a major distributor of American graphic arts machinery and equipment through Heidelberg Eastern, and its Plumrose food-processing subsidiary has a substantial operation in America, including a production plant.



PHOTO: BOBBE SWINBERG—WOODFIN CAMP; INSET PHOTO: RIC EISENBERG

Hans Christian Andersen, the creator of "The Little Mermaid" and numerous other characters in children's literature, lived in this house in Copenhagen.

Denmark's once farm-based economy is now diversified into all major industries and sophisticated business and personal services, beckoning foreign investors.



PHOTO: RICHARD J. QUARTART—FELJO

The Danish business enterprise that today has made the greatest mark in the United States is the A.P. Moller group of shipping companies, known worldwide under the Maersk name. It was founded early in the century and soon engaged in tramp-steamer trading in the States, carrying cargoes such as case oil (kerosene in cans) to the Far East, pitchpine and grain to Europe and sugar from the West Indies to American ports.

Now the world's second largest liner shipping business, A.P. Moller-Maersk Line maintains a weekly schedule between Atlantic and Pacific coasts and the Far East. In addition, it also provides regular service from the United States to the Middle East and the general Mediterranean area.

An affiliate in Houston, Atlantic Pacific Marine Corporation, owns and operates a number of drilling barges and jackup rigs. And another affiliate, Maersk Line Limited in Delaware, operates five large prepositioning ships for the U.S. Navy.

Maersk Mc-Kinney Moller, son of the founder, still very much in control of Denmark's biggest business empire, has played a major role in U.S.-Danish business relations. He spent World War II in the States looking after A.P. Moller's shipping interests, while Hitler's armies occupied Denmark. He later became the first European member of the IBM board of directors, and was a member of Morgan

Guaranty's international council.

The years between the two world wars were especially notable for the establishment in Denmark of General Motors' first assembly plant outside America, a decision in which GM's president at the time, William S. Knudsen, a Dane by birth, had more than a little say.

"Things really got started after the Second World War," says EAC's Sparse.

And one of the things which got them started was American aid under the Marshall Plan. Denmark, one of the 12 European recipients, received \$350 million, an enormous sum at that time.

American private investments also played an important part in developing the Danish economy in the postwar years. Esso—as it was then known in Europe—and Gulf Oil built oil refineries there in the 1960s.

After drilling a number of dry holes, Gulf Oil and then Esso gave up the concession for oil exploration in Denmark. A.P. Moller took over the concession in 1962. Gulf Oil and later Texaco, Shell and Chevron became participants in what is known as the Danish Underground Consortium. The consortium, from which Gulf and Chevron have withdrawn, and of which A.P. Moller is the operator, now produces over 4.6 million tons of oil and 2.4 billion cubic meters of gas a year. These are small quantities by international standards, but they represent about 60 percent of Denmark's use of hydrocarbons.

As late as 1960 about two thirds of Danish exports still consisted of agricultural products. A dramatic change took place as European trade barriers were broken down from the

late 1950s to the 1960s, and Denmark joined the European Economic Community in 1972. Now, about 70 percent of Denmark's exports are manufactured goods; 20 percent are agricultural products.

"As a trading and shipping country, Denmark has long realized the importance of open markets and free trade to a prosperous world economy," says Terence A. Todman, U.S. Ambassador to Denmark. "Our differences tend to be procedural rather than philosophical."

Denmark is the Community's largest exporter of agricultural products outside the Common Market. Therefore, it is especially exposed to the protectionist pressures building up in this area. On several occasions in recent years Danish canned hams, cookies and cheese have faced threats of retaliation from Washington over American disputes with the European Community

A Thoroughly Modern Monarchy

Running a modern monarchy includes doing what one can for the nation's commerce and exports, Prince Henrik, 53, Prince Consort to Queen Margrethe II of Denmark, told *Nation's Business*. For him this includes fairly frequent visits to the United States.

One of the consort's most important jobs is to assist Danish business by acting as an unofficial ambassador, often accompanying export delegations to countries all over the world.

"There is no doubt that a lot of doors are opened for the Prince Consort. There is a reservoir of good will when the Prince Consort is with a delegation," he said.

Queen Margrethe, head of the oldest monarchy in Europe, descended from King Gorm the Old (who lived about 980), leaves this side of the monarchy's representative duties to her husband.

"I am more free to travel than the Queen, who is head of state. I can travel less officially and more often, and it is with the purpose of serving my country as best I can, and this means helping to increase commerce and exports."

The monarchy's engagement on behalf of the country's business is part of the philosophy of running a modern monarchy. The Queen and Prince's immense popularity in Denmark attests to the success of the undertaking.

"We—the Queen and I—try to run the



PHOTO: THE DANISH TOURIST BOARD

Prince Henrik (center), the Consort of Danish Queen Margrethe II, actively promotes international trade between his countrymen and American investors and traders.

monarchy on modern principles. If the monarchy is not up to date and in keeping with the times, it will lose contact with the people. We try to think modern and not to live in a past world," he said.

The Prince has instituted an export prize in his name, which is awarded each year to a foreign firm or business person with an exceptional record as an importer of Danish goods.

"If I happen to be in the country concerned, I present the award myself," he said. "I have made the award several times to American citizens, in Los Angeles, San Francisco and, last year, in New York."

"We appeal to smaller firms because of

our high technical standards and the good quality of our products. The Danes are reliable. This is one of their main qualities in business. When you order a product, you are sure to get the right product, delivered on time and at the right price.

"Another point about the Danes is that they are good salesmen. We must live off our exports, and I think we are very good at finding new products and niches."

Before his marriage to Margrethe in 1967 the Prince was Count Henri de Monpezat, of France, and worked as a diplomat with the French foreign service. He still speaks both Danish and English with a trace of his native French accent.

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Kronborg Castle's Great Hall is one of the hundreds of beautiful scenes that give Denmark the fairyland image that draws tourists to its charming streets and countryside.



PHOTO: Y. SOMMER—THE DANISH TOURIST BOARD

over EC agricultural subsidies Americans say give European farmers an unfair competitive advantage.

"It's vital that the United States and Europe establish some common ground on which to solve the problems of the world food surplus in the negotiations of the General Agreement on Tariffs and Trade," says Kjeld Ejler, chief executive at the Agricultural Council, the Danish farmers' organization.

Maersk Mc-Kinney Moller has considerable sympathy for the American position. "The rest of the world," he says, "has not been fair to the United States and runs the risk of stirring up deep-rooted protectionist attitudes there."

"But there are also an awful lot of misunderstandings in the United States," says East Asiatic's Sparse. "The bickering between the United States and Canada doesn't make sense, for example. We have been looking at preliminary plans to place a food-processing plant in the northern United States to serve the Canadian market, but if feuding develops we shall have to place it in Canada, although it will

then be a smaller and economically less viable unit."

Danes are rightly proud of the important commercial role they play in the world. "This is the gateway to northern Europe," is how the Danish Chamber's Olsen describes Denmark as a place for American investment.

"We are able to use our own language

to communicate with the other Scandinavian countries, and in any Danish firm there will be people with competence in at least two other European languages, always including German," he says.

"Our position as the only Nordic country to be a member of the European Community makes us even more important," he adds, and points out that within a 12-hour truck ride of Copenhagen a firm can reach out to markets totaling about 90 million people.

The Danes have made a point of keeping red tape to a minimum when it comes to establishing firms, foreign or domestic. There is also easy access to financing, both through the local banks and the Danish mortgage credit associations. And there are no problems with repatriating profits.

"They are honest and straightforward, and if they say this is the way to do a thing, they mean it. There are not a lot of things going on under the table," says Tom Tebbin, chief executive at Arthur Andersen and president of the American Club in Copenhagen.

Educational standards are high, as are living standards, and the infrastructure is excellent. Absenteeism rates in the manufacturing industry are among the lowest, if not the lowest, in Europe.

There are about 225 American firms in Denmark, according to U.S. Embassy figures. Many of them are sales and marketing subsidiaries, but there is also a substantial number of manufacturers.

The country's per capita GDP in 1986 was about \$14,355, measured at the average exchange rate for the year, making Denmark one of the wealthiest countries in Europe. But growth has been accompanied by a current account deficit, which has taken the country's net foreign deficit to about 40 percent of the GDP.

If the external balance is a serious problem for Denmark, the budget balance is not. The budget was in surplus in 1986 and will show a very small deficit in 1987.

If you have enjoyed barbecued spare ribs and a glass of lager recently, you could well have been eating Danish products. Agricultural products accounted for about 28 percent of the country's exports to the United States last year.

Machinery and instruments, furniture and mink pelts are among the other important export items which give Denmark a comfortable surplus in its trade with the United States.

While it's certainly true that the U.S.-Danish business relationship is not what it was in 1776, opportunities for U.S. investment in and trade with Denmark may now be better than ever. ■



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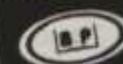
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Insuring A Growing Country

By Ronald W. Vinson

The insurance industry has been a part of our entrepreneurial heritage for more than 150 years—twice as long as Nation's Business.



PHOTO: BROWN BROTHERS

Although they cannot prevent their policyholders from being run over by reckless [drivers]... underwriters might serve the cause of public safety by refusing to insure anyone who has acquired the automobile habit."

That advice to the insurance industry appeared in 1903 in *Spectator*, a popular magazine of the day. The writer complained that drivers of the automobiles that had begun appearing on the streets "are usually reckless, rushing madly past frightened teams [of horses] without attempting to slow down, or frequently coming up from behind and passing without giving any warning whatever. Nervous horses are sure to be alarmed at such apparitions."

But the protests came too late. The public was becoming increasingly fascinated with automobiles; demand for them soared. Inevitably, the vehicles would eventually tangle with each other

Most of the early insurance companies dealt primarily in fire coverage, a highly risky business at a time of wood-framed buildings and limited firefighting equipment.

and with pedestrians. The *Spectator* notwithstanding, a market for auto insurance developed quickly.

In fact, The Travelers Insurance Company and enterprising independent agents had already begun writing liability insurance coverage on horseless carriages when the *Spectator* made its futile plea.

The Travelers wrote the first auto liability policy—on a form used to write coverage for a team of horses—for a Buffalo, N.Y., physician using his new-fangled vehicle to make house calls.

Today, auto insurance premiums account for about 43 percent of the total industry's dollar volume.

The advent of the automobile was one of the many major changes in American life that presented new challenges to one of the country's oldest industries, insurance.

One measure of the industry's long-

evity is the current 150th anniversary celebration of the Independent Insurance Agents of America, Inc. That means the group was celebrating its 75th anniversary when *Nation's Business* published its first issue.

The independent-agent system developed in large measure from the efforts of early insurance salespeople to identify those companies that would provide their clients with the best coverage at the most attractive price. One impetus for the development of the agent system evolved from disastrous fires that bankrupted many local insurance companies, making them unable to pay off all claims properly. Agents seeking more secure protection for clients went afield to find companies with less concentrated risks.

Key factors in the growth of insurance generally were the increasingly complex nature of coverage requirements in the industrial and agricultural revolutions taking place in America during the late 1800s and early 1900s.

For centuries, business insurance consisted largely of fire protection and coverage of seaborne cargoes. The evo-

Ronald W. Vinson is an insurance communications specialist, who has authored many articles and a book on the insurance industry.



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Insuring A Growing Country

lution of the factory system and the migration of settlers to the Midwest were catalysts for a major change.

Before the Revolutionary War, insurance primarily remained a local operation except for some adventurous citizens acting as agents and brokers for marine insurance companies in America and in England.

With the dawn of the 19th century, this country's population grew and spread. Insurance companies multiplied, accompanied by scores of independent agents in shipping ports and in frontier towns across the nation.

Many agents who were operating in the Cincinnati area met in the late 1830s to discuss the challenges their industry was facing and the steps needed to meet them. These agents formed the first insurance trade association in the United States—the Cincinnati Insurance Board—which became a part of the Independent Insurance Agents of America.

The necessity of changing the industry to respond to client needs was reflected in correspondence between an independent agent serving an agricultural community and an official of an insurance company. Responding to the needs of his clients, the independent agent wrote from Osage City, Kans., to ask about the availability of windstorm coverage. He was told by the company:

"We beg to say that Wind Storms being entirely foreign to the business of fire insurance in which we are engaged, we have nothing to do therewith. Neither do we suppose that any other reputable fire Co. does, but only such Companies as must resort to some ludicrous method or worse in order to get any business . . . If against Wind, why not also against Rain, Hail, Crushing by snow, accidents caused by faulty construction of buildings, etc. etc. etc. The proposition is too absurd for any strictly legitimate fire insurance company to consider for a moment."

But the market had created a demand, and the insurance agents who were opening offices throughout the farm belt insisted on behalf of their clients that insurance companies provide the coverage sought. Within the next 20 years, protection could be bought for windstorm, tornado, hail and other "absurd" perils.

On Dec. 17, 1903, Orville and Wilbur Wright took four short trips at Kitty Hawk, N.C. The longest trip of the first successful airplane was 59 seconds, but events of

SPECIAL REPORT

There were relatively few automobiles on the roads in 1915, but these two managed to meet somewhere in New York State. The advent of the auto had already provided a major new

source of business for the insurance industry. Owners of the new vehicles wanted protection against incidents like this one, and agents developed ways to meet that demand.

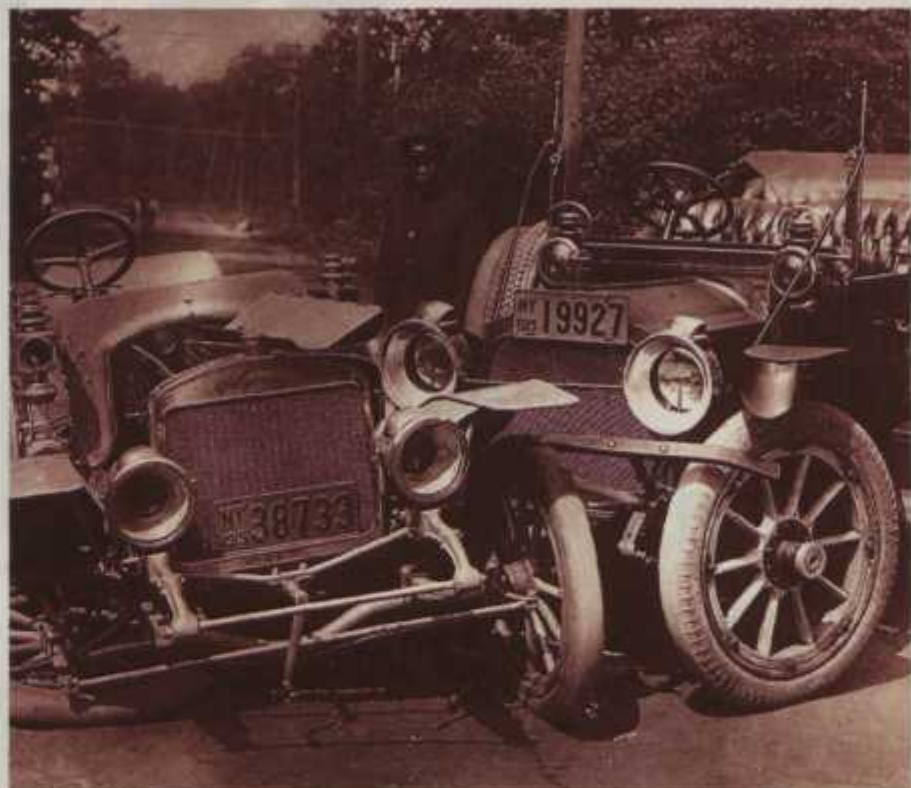


PHOTO: BROWN BROTHERS

that day sparked the creation of still another new industry—and a new source of demand for insurance coverage. Development of that coverage was relatively slow, however, because the technology was so unfamiliar and the rate of accidents was so high because of the large numbers of untrained pilots who took to the skies.

The first aviation policy covering property damage was sold in 1917. The first policy on liability was written two years later.

Meantime, the nation's rapid industrial growth was fostering still more requirements for new types of coverage. In 1911, 10 states enacted the country's first Workmen's Compensation laws covering employees unable to perform their jobs because of work-related injury or illness. That coverage, eventually expanded to all states, is now known as workers' compensation.

Use and occupancy insurance, later renamed business-interruption coverage, came into existence that year, along with policies to cover rental income and property damage.

Liability insurance was being written for doctors and dentists. Fidelity and surety bonds were being issued to contractors and administrators.

The early 1900s also saw the advent of the motion-picture industry, yet another source of demand for new types

of coverage. Film producers wanted to protect their investments during production of the silent-screen classics with insurance coverage on stars like Douglas Fairbanks, Sr., who did many of his own swashbuckling stunts. The studios also sought insurance against damage to sets and equipment.

Today, no big-screen venture proceeds without entertainment insurance. As one West Coast insurance agent noted, "There has never been a film or a play that could not find insurance capacity. For example, one independent insurance agent's office once handled more than \$80 million worth of coverage for the simultaneous shooting of *Return of the Jedi* and *Inchon*."

Though the growth of special coverages to meet the needs of the booming American business economy continued through the 1920s, the depression of the 1930s knocked the props out from under thousands of firms. The insurance industry held its own during that troubled era, but the emphasis was on survival and protection of gains, rather than on more innovation and growth. The depression gave way to the World War II economic recovery, which turned into a postwar boom in housing, auto sales, consumer goods and the industrial expansion required to meet those needs.

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Insuring A Growing Country

amidst that growth, but the late 1940s marked the beginning of a new era in the business because of a fundamental change in the federal government's perception of the insurance industry.

The change had its roots in a post-Civil War case in which an insurance agent challenged a Virginia law regulating insurance. The plaintiffs argued that insurance was a matter for federal regulation because haphazard state regulation and restrictive state laws were creating financial instability within the insurance business, denying policyholders adequate protection.

The case reached the U.S. Supreme Court, which rejected the challenge on the ground that insurance was not within interstate commerce nor subject to federal control. The decision was reversed 77 years later. The court held in the late 1940s that insurance constituted a form of interstate commerce and thus was subject to federal trade laws.

Congress gave the industry a limited exemption from federal antitrust laws, but only to the extent that the industry was regulated in that area by state governments. It was otherwise subject to federal regulation.

Meanwhile, the innovation that had faltered in the depression had returned to the industry. New products included packaged policies, which provided fire, extended coverages, liability, crime and other protections formerly available only through endorsements or separate policies. Many types of packages were developed for homeowners and for businesses.

Probably the most significant developments in the insurance story of the past 50 years were those that caused serious problems for both the industry and its clients—the litigation explosion and the liability crisis.

Nation's Business reported in its February, 1986, issue that there was one private civil lawsuit for every 15 Americans. In addition, this magazine said, "The number of personal injury cases with awards of \$1 million or more is now more than 13 times the 1975 total. A record 12 million lawsuits were filed in state courts between 1978 and 1983. The average product-liability award has increased from \$345,000 to more than \$1 million in 10 years, and the number of product-liability suits filed in federal courts alone has tripled since 1960."

The massive awards put upward pressure on rates and, in some cases,

SPECIAL REPORT

Flying machines that could fall out of the sky onto houses posed an unusual challenge from the perspective of insurers asked to provide coverage on them. The fact that many early pilots

were eager but unskilled amateurs compounded the problem of developing insurance protection against the contingencies of manned flight.



PHOTO: THE BETTMANN ARCHIVE

made some types of coverage too risky for companies to sell to every prospective purchaser.

Automobile insurance was one of the first battlegrounds in efforts to resolve problems of cost and availability of liability insurance. Some states have experimented with no-fault auto insurance, which is designed to curtail expensive litigation over blame for automobile accidents and to settle claims promptly.

The liability crisis extended to physicians and medical institutions as malpractice awards soared and premium rates followed. Business has felt a major impact in the form of the product-liability crisis.

At present, all liability insurance lines face an uncertain future. Business groups have won approval of tort reform in many states and are pressing Congress for adoption of federal standards to bring uniform rules to the issue. Goals of tort reform include such steps as basing damages on fault, rather than on ability to pay, abolition of punitive damages, and limitations on the contingency-fee system, in which lawyers are paid on the amount of damages they collect for clients.

Some liability lines, such as protection against damages from pollution, remain unavailable, but coverage is again being sold for activities difficult

or impossible to insure in recent years.

Although the litigation explosion and excessive awards have posed problems for both buyers and sellers of insurance, a more positive development in which the insurance industry has played a major role has been the surge of entrepreneurship in the United States in the past two decades.

Ten years ago, for example, an independent agent wrote a policy on a new business that had been started near San Francisco by two young men convinced there was a market for computers designed for personal use. "We took the account just two months after Steve Jobs and Steve Wozniak moved out of the garage in which they started their company. They had 16 employees," recalls Jeff Lewis, independent agent of Flamer & Company.

"Apple Computer evolved into a national, then a multinational, company. We handled the account for seven years until another large national independent insurance brokerage firm took it on. When we resigned the account, Apple had grown to 3,500 employees in several countries. We had grown from eight employees to 83."

Insurance people view the Apple story as just one of the more prominent examples of their industry's historic role in helping to shape the American economy from its earliest days. ■

THE NATION'S BUSINESS

Where I Stand

Results of this monthly poll are forwarded to top government officials in the White House and Congress.

1. New Restrictions On IRS Procedures?

Heavy-handed IRS collection tactics have prompted Congress to consider a Taxpayer's Bill of Rights that would, among other things, require the IRS to notify taxpayers of their rights as well as obligations and modify levy procedures that might unnecessarily jeopardize businesses. The U.S. Chamber supports the bill, except for provisions that would shift the burden of proof from the taxpayer to the IRS and could impede criminal investigations. The IRS says many of the reforms listed are under way and the legislation is unnecessary. Should Congress approve the Taxpayer's Bill of Rights, amended to satisfy Chamber objections?

Chamber and other business groups maintain that budget targets can be met without a tax hike by implementing a number of options, including: a lowered capital gains tax, which would boost revenue; privatization of Amtrak and other federal activities; selling of federal loans to the private market; and budget cuts. Should Congress reject tax increases to cut the deficit?

2. Reject Tax Increases To Cut Budget Deficit?

Congress has passed a fiscal 1988 budget resolution calling for unspecified tax increases of \$19.3 billion to help reduce the federal deficit. Many lawmakers maintain that the 1988 Gramm-Rudman deficit-reduction goal cannot be met without a tax hike. The U.S.

Now Congress may extend the tax to pay for training, education and relocation of the long-term unemployed. The business community opposes the extension—which would cost an extra \$1.2 billion annually—saying it would violate the initial agreement and allocate money for programs other than unemployment benefits. Should Congress extend the "jobs tax"?

3. Let 'Temporary' Jobs Tax Expire?

Congress may extend the 11-year-old "temporary" federal unemployment tax assessment scheduled to expire in January. The tax was imposed in 1976 to cover an \$8 billion deficit in the federal unemployment-insurance trust fund. That debt was retired last May.

Now Congress may extend the tax to pay for training, education and relocation of the long-term unemployed. The business community opposes the extension—which would cost an extra \$1.2 billion annually—saying it would violate the initial agreement and allocate money for programs other than unemployment benefits. Should Congress extend the "jobs tax"?

Verdicts On July Poll

Here is how readers responded to the questions in the July issue.

	Yes	No	Undecided
Should the U.S. retaliate against countries that break trade agreements?	72%	19%	9%
Should Congress prohibit the use of polygraphs in the workplace?	33%	60%	7%
Should Congress mandate catastrophic health insurance for workers?	18%	75%	7%



Send in your vote on the inserted postpaid card. Your views on any of these questions are also welcome as letters to the Editor, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062.

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Korea



By Dr. John Bennett and Thomas Stern

South Korea, perhaps the world's biggest economic success story, is liberalizing its political climate. Close observers say this could widen business opportunities for trading

partners like the United States. The global spotlight will next year fall brightly on Seoul, the scene of the Olympic Games. Koreans hope that the publicity surrounding these

events will showcase their nation. Hyundai-produced automobiles, along with many other Korean products, are appearing in great numbers in the United States.



PHOTO: KIM NEWTON—WOODFIN CAMP



PHOTO: BRENT BEAR—WOODFIN CAMP

Korea appears to be at a crossroads once again. If experts are to be believed, this is the umpteenth turning point that this small country of 42 million has encountered. We don't fully understand what is supposed to happen at these critical junctures, but Korea seems to have crossed them successfully.

What is clear today is that both political and economic forces are again in play and the outcome seems as uncertain as it was at the beginning of all the other crises.

The economic data for the first quarter of 1987 indicates that real GNP is continuing to expand, reaching another high—15.6 percent—after a growth of 12.6 percent in 1986.

Exports, as usual the engine of Korean growth, grew by 36 percent—on a balance-of-payment basis—over the first quarter of 1986. Imports rose by a much more modest 12 percent in the same period, reflecting a decrease in oil and commodity prices as well as a decline in the import content of Korea's exports. The current account surplus reached \$2.1 billion, suggesting that it could double the \$4.7 billion reached in 1986, if the political situation does not interfere. Total outstanding

foreign debt was reduced to \$44.5 billion from \$46.8 billion at the start of the year. Both long- and short-term loans were reduced. Foreign exchange holdings rose. Korea appears headed for another record year.

How will the recent political turmoil affect the Korean economy? Initial indications are that any impact will be minor. For over a year, university students have demonstrated frequently and violently. But most of these events took place on university campuses, where they were confined and could not have had an impact on Korea's economy. Those episodes that spilled over the campus walls were of relatively short duration and, beyond disrupting the shopkeepers' and shoppers' day, could not have had any great effect on the economy.

The more recent events may have had greater significance for the Korean economy. In the first place, the demonstrations took place outside the campuses—in fact, in the middle of Korea's major cities. In the second place, many citizens, obviously not students, were noted as participants. Shops were closed not only as a security measure, but also as an indication of support for political change.

The Koreans are proud of their economic achievements and would be most reluctant to see any diminution of their "miracle." It distinguishes them from other developing countries and particularly from

North Korea. The rivalry between north and south is still very much alive. Today, the competition for the world's attention and support is based on diplomatic successes, next year's Olympics and economic achievements.

But the continuing battle for the world's approbation comes from the economic competition. It is a contest in which the United States has a great interest because it pits a free-market economy against a communist one.

Even though statistics on North Korea are difficult to obtain, there seems to be little argument that at this time, the competition is being won by South Korea. Observers who have visited both countries have testified to the higher standard of living in the South. North Korean embassies have been accused of selling drugs and smuggling ivory and other illegal goods in high demand, merely to pay the expenses of maintaining the embassies and staffs.

It is of course in the Western interest that South Korea maintain its economic lead, not only because it has become a major player—No. 12—in the free world's trading system, but also as an object lesson to those countries that are either under communist systems or are deciding the directions of their economic futures.

South Korea stands as a model free-market economy. Any country that raises its per capita GNP from less than \$200 to

John Bennett is president and Thomas Stern is director of the Washington-based Korea Economic Institute of America, a public corporation established by the South Korean government.



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over \$2,300 in less than three decades must be doing many things right.

At this juncture political tensions seem to have eased in South Korea. There remain many troubled hours ahead, with reform of the constitution, a presidential election and probably a parliamentary one as well, plus the inauguration of a new president next February.

It will not all go smoothly. The radical students are not likely to be content with the pace of political liberalization that the political parties will find acceptable. The opposition parties will continue to be very wary of the proposals made by the government party and will insist on safeguards that may be difficult to accommodate. The opposition itself is splintered and has yet to face the task of selecting a presidential candidate.

The pace of change in the last two months has been so rapid and so unexpected that it may be some time before the enormous transformation will be digested. The politicians and the country as

a whole are walking in uncharted territory. They may stumble. They may get lost. It will take all the patience and forbearance that the nation has. But experience suggests that it would be foolhardy to bet against the Koreans; they always manage to navigate through rocky shoals and have not yet sunk, despite many dire predictions by foreign observers.

There may be more demonstrations, and some may include factory workers. Production may fall, exports may suffer and investments may be delayed. But that is by no means a foregone conclusion. Based on events to date, the safe bet would be to assume that further unrest will have little or no effect on GNP growth, exports or any of the other major indices used to measure economic performance.

The South Koreans point out that they have liberalized imports at an unprecedented rate. The won is being revalued slowly, with many expecting as much as a 10 percent rise by the end of the year. The pace of the revaluation is dictated by the Koreans' perception that any rapid movement will disadvantage the won against the

Japanese yen and possibly hamper the country's ability to continue to reduce its large foreign debt. The South Koreans have recently acceded to U.S. demands to liberalize the import of cigarettes and to strengthen the protection of patents, copyrights and trademarks.

Recognizing the major imbalance in its trade with the United States, South Korea has begun an aggressive program designed to shift procurement from Japan to the United States. In a government press announcement, dated April 17, 1987, the following new policies were announced:

"The Korean Government believes that, at its present level of development with a per-capita GNP of \$2,300, it would be highly inappropriate and unproductive for Korea to allow investment funds acquired through trade surpluses to pile up as foreign-exchange reserves. Nor is it desirable for Korea to expand overseas investment drastically when there remains considerable domestic demand for investment to further improve the standard of living. In other words, the Korean Government is convinced that a growing trade surplus is not only unsustainable but also counterproductive for Korea's long-term development.

"Based on this conviction, the South Korean government will embark on a policy of promoting more balanced and stable growth by checking the rise in the trade surplus, while maintaining price stability."

With such an attitude, it is a good bet that Korea will continue to be an important trading partner for the United States. It is of course not assured. Already there has been a major increase in anti-American sentiment among the demonstrators.

Observers have suggested that this new feeling is fueled in part by the Korean perception of U.S. protectionism. They understand that the United States is their principal market and that their growth will depend in large measure on their continued ability to sell in the United States. Market opening pressures exerted by the U.S. government are resented, particularly in light of South Korea's dependence.

It is clearer every day that South Korea is of great and growing importance to the United States. Not only is the trading relationship important to both nations' welfare, but South Korea's geography places it in a strategic location that makes it a linchpin in the defense of Northeast Asia.

Just as economic liberalization has spurred the trading relationships between the countries, so should South Korea's rapid move toward democracy assist closer linkage with the United States. **■**

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The Nation's Business

Business Outlook

A Record Expansion

The current economic expansion is approaching a historic milestone. It will set a record next month for the longest peacetime expansion since 1796. The record will be 59 months, surpassing the previous peacetime expansion record of 58 months—from March, 1975, to January, 1980.

More growth is expected. Though it may be sluggish in some sectors, many experts see the expansion continuing well into next year, extending its record to 70 months or more.

Richard Rahn, vice president/chief economist of the U.S. Chamber of Commerce, says the expansion has lasted as long as it has because of two key initiatives by President Reagan. One, he points out, is the reduction in marginal tax rates in 1981 and 1986. The other, Rahn says, is the administration's broad plan of business deregulation designed to remove obstacles to growth.

"The tax cut reinforced business formation, unleashing a great deal of entrepreneurial activity," the Chamber economist explains. "During the last five years, we have also seen a relatively unshackled economic era—one that was particularly free of tax and regulatory impediments."

Consumer spending also played a major role in sustaining the current growth period. "From 1983 through the middle of 1986, the consumer was the driving force behind the expansion," says Victor Kung, domestic economist for the New York-based Irving Trust Company.

"After years of vigorous spending, consumers have satisfied most of their demand for cars and other consumer durables," Kung says.

Now that consumer spending has begun to slow, steady improvement in the trade balance and stronger business investment are helping to keep the recovery rolling.

Even so, signs of an aging expansion are evident, says Kung. They include the recent rise in interest rates, higher

Until recently, spending by shoppers like these in Dallas was a driving force behind the current record expansion, economic experts say.



PHOTO: PHIL HUBER—BLACK STAR

inflation, the slowdown in consumer spending and a gradually tightening labor market. Still, Kung says, the expansion should last two more years.

While discussions of the extent of the

recovery generally assume an eventual downturn, Rahn says that recessions are not preordained. They can be avoided as long as the government engages in sensible economic policymaking.

"What would guarantee a recession is failure to reduce the growth of federal spending, passage of a protectionist trade bill or a major tax increase," Rahn says.

Fueling Fears Of Higher Taxes

Business concern over the possibility of higher taxes has been stimulated by a list of targets prepared for consideration by the congressional tax-writing committees, which have been directed to come up with \$64.3 billion in new taxes over the next three years.

Congress issued the order in adopting a budget resolution calling for that amount of additional income without specifying where to find it.

The Senate Finance Committee and the House Ways and Means Committee are now responsible for drafting legislation identifying the sources of the higher tax revenues. To help them, the staffs of the Joint Congressional Committee on Taxation and the House Ways and Means Committee have drawn up a list of more than 100 possible areas for new or increased taxes. The ideas range from postponement of rate reductions scheduled under the Tax Reform Act of 1986 to the imposition of a national value-added tax on consumer goods. **■**

Small Business Report

Paperwork Burden Grows

Tax experts warn that the Internal Revenue Service's recently proposed rules on interest-expense deductions will be especially burdensome for small firms.

"The new rules are bound to mean more paperwork hassles for smalls," says Charles "Skip" Phillippi, an Albuquerque, N.M., accountant who is chair-

man of the American Institute of Certified Public Accountants' small business taxation subcommittee.

The proposed rules would put into effect the new law's changes on deductions for interest charges.

Before the sweeping tax reform law of 1986, interest payments on all types of loans were generally deductible, unless the funds were used to purchase tax-exempt investments.

The economic expansion approaches a peacetime record; Congress looks at a "wish list" of tax increases; small firms face more tax-related paperwork; an economist documents the minimum wage's impact on jobs.

Deductions for interest on credit cards, auto loans and other nonmortgage consumer loans are being phased out over four years under the tax-reform law. But the interest on loans for most investment and business expenses will remain fully deductible.

The proposed regulations provide that a small-business owner who claims a deduction for interest payments on a business loan must show he used the loan proceeds for business and not a consumer purchase. A business person who spends the business-loan proceeds within 15 days automatically qualifies for the deduction.

If loan funds are held longer than 15 days, the IRS will base the deduction eligibility on the first purchase made with the borrowed funds. This could result in the loss of the full benefit of a deduction if a business owner is unaware of the new regulations.

That could mean the difference this year between the full deductibility of interest payments and the 65 percent of those charges allowable for 1987.

Experts say the best way to comply with the new rules is to establish separate accounts for each type of loan you have.

Helping Smalls Find Funds

The Presidential Advisory Commission on Small and Minority Business Ownership is urging more small firms to take advantage of private financing methods.

The commission, which advises the President on small-business funding and policy issues, has been holding a series of public hearings throughout the country on a variety of topics of interest to small companies.

At a recent hearing in New York City, Julian H. Gingold, commission director and senior vice president for Dean Witter Reynolds, announced plans to form a steering committee to help direct small businesses to private-capital areas. This would enable entrepreneurs to receive "firsthand business advice on locating capital," he says. **B**

lift the wage floor from the current \$3.35 an hour to \$4.65 an hour by 1990. There would be automatic increases thereafter, with the wage set at 50 percent of the average nonsupervisory private-industry wage. Under assumptions used by McKenzie, the minimum wage would be more than \$7 an hour in 1995.

The McKenzie study was commissioned by the National Chamber Foundation, an independent, nonprofit, public-policy research organization affiliated with the U.S. Chamber of Commerce, and the Minimum Wage Coalition to Save Jobs, made up of business representatives. Findings of the study are being used by business to rebut claims that the wage floor should be increased because purchasing power of the current minimum has eroded.

Malcolm Baldrige's Legacy

The new Secretary of Commerce will inherit a position that carries far more authority and prestige than it enjoyed before Malcolm Baldrige took it over in 1981.

Baldrige, a highly successful business executive before he joined President Reagan's cabinet, took charge of the administration's trade policy and implemented it with skill and determination. No Commerce secretary before him had more influence or enjoyed more respect on Capitol Hill.

His leadership abilities were apparent in many ways, particularly in his brilliantly executed strategy of prevailing on the White House to take a tough stance against unfair trade practices aimed at this country, dissuading Congress from protectionist moves and maintaining good working relations with America's trading partners. Baldrige's challenge to the Defense Department on its controls on high-tech exports was another mark of his willingness to fight for what he believed in.

The secretary's tragic death in a rodeo was a great loss to the country, but he will be remembered for his legacy—a trade policy based on fairness to all and a Commerce Department with unprecedented strength to do its job of protecting and advancing the enterprise system. **B**

Washington Roundup

Job Loss From Wage Hike

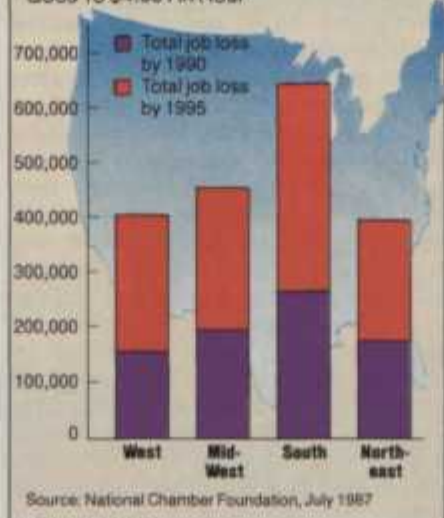
Unemployment would increase significantly in every state by 1995 if Congress approves a proposed increase in the minimum wage, according to a unique study by a Clemson University economics professor. California alone would lose 220,000 jobs, Richard B. McKenzie reports in his analysis, which is the first to estimate the state-by-state impact of a specific minimum-wage hike proposal.

A total of nearly 1.9 million jobs would be lost nationwide over the next eight years, McKenzie reports.

On the state level, the biggest losers in addition to California under minimum wage legislation sponsored by Sen. Edward M. Kennedy (D-Mass.) and Rep. Augustus F. Hawkins (D-Calif.) would be New York (136,550 jobs), Texas (134,033) and Florida (91,492).

1990-95 Job Losses

Regional Impact If Minimum Wage Goes To \$4.65 An Hour



Under this legislation, McKenzie concludes, unemployment would increase more than 20,000 in 31 states and more than 10,000 in six others.

The Kennedy-Hawkins bills would



Editorial

"He must be of little faith indeed who cannot feel the tremendous creative impulse of the day."

Then, Now And Tomorrow: A Land Of Exciting Opportunity

A lot of ground has been covered in this special issue marking our 75th anniversary, and yet we might have covered much, much more. The story of a dynamic economy in a dynamic country during 7½ decades of change—and of what can be expected next—is so rich in drama that it could easily make a set of books instead of a single magazine.

In the interests of space, we have not followed the joys and sorrows of particular sectors of the economy—not even Wall Street, though it has certainly been enjoying a high lately. (For the record, the Dow Jones Industrial Average, as it flirted with 2,500 recently, was roughly 27 times what it was when our first issue came out. Adjusted for inflation, it was some 2½ times as high.)

It was not our aim to be encyclopedic. We wanted to provide an overview that would entertain and inform. And we hoped you might find at least some of the information of practical use today.

If you think there are aspects of the past 75 years that were mistakenly omitted or slighted, we would be happy to share your views with other readers. Likewise, personal reminiscences.

Two things stood out particularly, as we looked over the years since 1912:

- The spirit of enterprise has constantly reinvigorated our economy.
- So has new technology.

It can't be said more compellingly than it was in the following, a February, 1929, *Nation's Business* editorial. If we were writing it today, we would add "daughters" to "sons," and we would cite different technology. But the philosophy is just as good now as it was then. And it will still be just as good when we celebrate our 100th anniversary. Here it is.

To An Anxious Father

An anxious father writes that the coming 25 years will not afford his sons the opportunity to do big things which he has had in the last 25. "Everything seems to have been done," he laments.

So it seems. Since father started out,



PHOTO: BETHLEHEM STEEL CORPORATION

we have built the Panama Canal, laid the first Pacific cable, made the tungsten lamp available. Father saw the first transcontinental telephone line in 1915, the first air mail in 1918 and transatlantic radio telephony in 1927. He saw rural free delivery in 1902, parcel post in 1913 and commercial photographs by wire in 1925.

Since father started out, telephone exchanges have added mechanical switchboards, and power stations have added mechanical attendants; elevators have become self-stopping and self-leveling, while streetcars have been fitted with automotive brakes and ball and roller bearings. Railroads have been electrified for intercity transport, the Pullman berth has evolved into a comfortable room with a full-sized bed, and ships have become driven by electricity.

The present generation has seen radio broadcasting become a national institution and commercial television rise above the horizon. It has forgotten the advent of the photoplay—only 15 years ago—in its enjoyment of the photoplay's new dimension, the talking picture.

It has seen skyscrapers grow two stories a year, and it observes welding beginning to compete with riveting. It reads in the morning paper of the discovery of a new alloy which will cut steel as a knife whittles wood, and at

"The present generation . . . has seen skyscrapers grow two stories a year." These men were among crews building New York's Rockefeller Center in the early 1930s.

enormous speed. And on the same front page it gets word of a discovery, "the greatest since steel," by which cardboard, wood and silk can be given the strength of iron.

Our anxious correspondent may well inquire. Chemistry has added to his vocabulary such words as Celotex, cellophane, Celanese, rayon, Velox, Duco and Pyrex, while science was providing him with mechanical refrigeration, oil heat and direct incineration of garbage.

"Everything seems to have been done."

So it seemed in 1833 to the head of the Patent Office, who wanted to resign because he felt that the limit of human invention had been reached and that there was no further need of his services. By 1860 there were less than 43,000 patents recorded; by the end of the century, 640,000. Today applications for patents have risen to 90,000 a year!

When our sons look back in the 1950s, they will doubtless chuckle over our anxieties, as we smile over the anxiety of an earlier patent commissioner.

For he must be of little faith indeed who cannot feel the tremendous creative impulse of the day. Led by business, it has as its goal the supply and distribution of more and more material comforts, on which can be built a cultural and spiritual life such as the world has never seen. **18**

TOYOTA TRUCKS

BUILT FOR WORK

Toyota's Standard Bed Truck has power front ventilated disc brakes for smooth, sure, full-load stops. Inside there's 3-across bench seating.



HOW IT STACKS UP

	STANDARD PAYLOAD* (LBS.)	STANDARD TOWING CAPACITY (LBS.)	STANDARD HORSE- POWER	EST. EPA MPG CITY/HWY.
TOYOTA STANDARD BED	1640	3500**	103	26/31†
FORD RANGER "S"	1220	NOT RATED	80	23/27
CHEVY S-10	1000	2000	92	22/27
MAZDA	1400	1500	80	22/23
NISSAN	1000	2000	106	22/26

THE SMALL BUSINESS STANDOUT

No other truck in its class works as hard as the Toyota Standard Bed Truck. Look at the chart. You get more payload,* more towing capacity,** and greater fuel efficiency† in a Toyota Standard Bed Truck. And Toyota protects your investment with some other important numbers... a 36-month/36,000-mile powertrain and electronic component limited warranty.*** Get yourself a tough truck. Buy the numbers.

LOOKING OUT FOR YOU HAS MADE TOYOTA #1



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COULD ASK TOYOTA
FOR ANYTHING
MORE!

Get More From Life... Buckle Up!

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*Including occupants, equipment and cargo.

**With manual transmission; not to exceed GCWR of 6500 lbs.

***See your Toyota dealer for details.

†EPA estimated mileage figures shown for 49-state model with 4-speed manual transmission. California estimates: 24/29. See your Toyota dealer for details.

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